

The most important change in the cabinet was the removal of the



# Manila Judges Reach Verdict On Ver, Delay Announcement

By Seth Mydans  
New York Times Service

MANILA — A verdict has been reached and will be announced Nov. 20 in the trial of General Fabian C. Ver and 25 other men charged in the 1983 murder of Benigno S. Aquino Jr., a popular Philippine opposition leader, one of the judges said Tuesday.

As reporters watched, a court clerk signed orders for the Aquino

defendants to appear Nov. 20 to hear the reading of what Judge Augusto Amores said would be a 100-page decision.

He did not say what the three-judge panel had decided, but he declared: "It was a unanimous verdict."

The Nov. 20 date coincides with the U.S.-Soviet summit meeting in Geneva, and some observers here

immediately suggested that the court might be seeking a moment when its verdict would be overshadowed by other events.

Judge Amores indicated that the delay in announcing a verdict also gives the Supreme Court time to consider a mistrial petition filed Monday by 28 prominent Filipinos. The petition accused the prosecution of "manifest partiality and injudicious and irregular conduct."

Calling the seven-month trial "an ordinary murder case," Judge Amores said the court had been under no political pressure in the highly charged case. The most prominent defendant, General Ver, is a former chief of staff of the armed forces and a confidant of President Ferdinand E. Marcos.

"No pressure as far as I'm concerned," the judge said. "We have had a free hand."

General Ver is widely expected to be acquitted, following a Supreme Court ruling last August that excluded as evidence his testimony before a previous fact-finding commission.

That testimony had formed the main evidence against the general on a charge of covering up a plan to assassinate Mr. Aquino on Aug. 21, 1983, as Mr. Aquino returned from self-imposed exile in the United States.

Mr. Marcos has said he would reinstate General Ver as chief of staff if he is acquitted, a prospect that has aroused concern both here and in Washington among people who fear his reinstatement will set back reforms in the military.

Senator Paul Laxalt, a Republican of Nevada, who recently visited Mr. Marcos and delivered a message of concern over the Philippines situation from President Ronald Reagan, said he had told the Philippine president that "reinstatement of General Ver for any extended period of time could well cause a firestorm in Congress."

The Reverend Jerry Falwell, meanwhile, just ended a two-day visit to the Philippines. Mr. Falwell, leader of the Moral Majority movement in the United States, chided U.S. policy-makers Tuesday for "bellyaching" about the Philippines and urged them to do "whatever is necessary" to stop the spread of communism in the country.

He spent most of his time in the company of Mr. Marcos and his wife, Imelda, and Marcos aides.

Mr. Falwell said he would call for increased investment in the Philippines, declaring that the United States was hypocritical in trying to tell the Philippines how to use U.S. aid.

"If there's any place on Earth that deserves the financial support of the United States, it is the Republic of the Philippines," Mr. Falwell said.

He added: "I have a great disagreement going on with a State Department that pumps millions of dollars into Mozambique and Zimbabwe and those kinds of countries with Marxist governments who use the money as they please to hurt, shed blood, whatever, and then we play the hypocrite here and tell the Philippines government that you've got to use this money a certain way."

## After Attack, Libya Affirms Hunt on Exiles

Agence France-Press

PARIS — Libya will continue to "hunt down and liquidate" its enemies living abroad, according to the political commentator of the Libyan news agency JANA in a broadcast monitored in Paris.

The broadcast followed an official announcement in Cairo from the Egyptian government that Libyan agents tried to assassinate a former Libyan prime minister, Abdel Hamid Bakouh, on Nov. 2.

The Egyptian interior minister, Ahmed Rashed, said a Libyan commando squad was arrested after a gunfight near Alexandria, where Mr. Bakouh was dining with other Libyan exiles.

The JANA broadcast said: "The Libyan people will continue to hunt down and liquidate its enemies at home and abroad. They will act against these stray dogs who are opposed to the power of the people, but they will not act against the country giving them refuge."

■ **EC Efforts Blocked**

Differences between Nicaragua and its Central American neighbors continued to block progress Tuesday on talks by the Contadora Group and the Contadora Community, Reuters reported from Luxembourg.

The 21 EC and Latin American foreign ministers entered a second day of formal discussions of an accord that would substantially increase community aid to the region, now running at nearly 40 million European currency units (\$35 million) a year. A separate document would establish regular political dialogue between the EC and Central America within the context of the Contadora group's efforts.

■ **Opposition Journalist Held**

State security agents have detained a reporter for the opposition newspaper La Prensa, his wife said Monday, according to an Associated Press report from Managua. He would be the sixth journalist for the newspaper held for questioning in the last three years.

Fatima Uroz, wife of Norman Talavera, said six agents searched their house Sunday night. She said they took her husband's tape recordings and personal documents, as well as his car.



Scene from a Soviet television report on the war in Afghanistan.

## Afghan War Creating Soviet Heroes

TV Coverage Emphasizes Sacrifice for the Motherland

By Serge Schmemmann  
New York Times Service

MOSCOW — The Soviet force in Afghanistan may still be a "limited contingent" doing its "internationalist duty," but almost six years after it began, the Afghan war has begun spawning stories about heroes and military feats in the official Soviet press — and even some questioning by the public.

After virtually neglecting the war in its first years, newspapers now regularly carry reports about young heroes who sacrificed their lives in the struggle against the "dushmans," as the Afghan guerrillas are called.

More tellingly, over the past year Soviet television has begun to show combat scenes.

The shifts apparently reflect the fact that after almost six years of combat, after hundreds of thousands of Soviet soldiers have served in Afghanistan and thousands have been killed or wounded, the Kremlin cannot pretend that a few Russian soldiers are in Afghanistan temporarily only to help out.

The change in Soviet television has been most notable since Mikhail Leshchinsky, formerly the head of Soviet television's propaganda desk, was appointed chief of the Soviet television and radio desk in Kabul.

In his latest report the other night, Mr. Leshchinsky was seen in a safari jacket traveling with Soviet troops through a barren Afghan plain. He said the unit was on its way to confront a reported concentration of guerrillas.

No contact was shown, but Mr. Leshchinsky subsequently displayed stacks of weapons purportedly seized from the guerrillas.

In another recent news program, viewers saw Soviet helicopters firing rockets at a village and then coming under fire themselves, and Mr. Leshchinsky then interviewed some young soldiers in desert gear about the dangers of their assignment.

Apart from showing combat, the reports have changed in no longer insisting that the soldiers are in Afghanistan only to assist the "Afghan revolution," and in no longer saying they come in contact with guerrillas only in self-defense.

In a related change, military commentators have begun talking of service in Afghanistan as a patriotic duty to the Soviet motherland, and not only as "internationalist" assistance to the Afghan government.

Early news reports from Afghanistan usually showed Soviet military doctors inoculating Afghan children, or young soldiers draping their hands over the shoulders of smiling Afghan workers. The typical report these days is about a young soldier who sacrifices his life for his comrades.

The model is Sergeant Nikolai Chepik, a farm boy from Belorussia who was killed in February

1984 and became the first nationally publicized hero of the Afghan war. Sergeant Chepik's feat involved setting off grenades to save his comrades from an ambush.

Komsomolskaya Pravda subsequently reported a similar sacrifice by Private Sergei Shashev, who volunteered to cover the withdrawal of comrades who had fallen into an ambush. Private Shashev held off the guerrillas as long as he could, and in the end used his last grenade to blow up himself and the remaining guerrillas.

The most recently publicized hero is Private Alexander V. Koryagin of Zagorsk, a city just north of Moscow, who spotted an Afghan sniper and leaped in front of his commander to save his life.

Komsomolskaya Pravda, for example, recently printed a question from a reader who asked, "Why is my cousin serving in Afghanistan?"

The newspaper selected a World War II veteran who had fought on the Caucasian front to respond. In what appeared to be a pointed parallel, General F. Mazhayev said his defense of the southern Caucasian republics had given him an "unwavering faith in the strength of the Leninist friendship of peoples."

Afghanistan, after all, has a huge border with us," the general wrote. "This means that a strategic issue of major importance is being decided there. The Ukraine is far from Afghanistan, but the Ukraine is an inseparable part of the Soviet Union. There, on the land of Afghanistan, our warriors, fulfilling their internationalist duty, are also defending their Ukrainian, Siberian, Kazakh home."

### Guerrillas Mount Attacks

Western sources said Tuesday that Afghan guerrillas shot up at least three supply convoys on an important highway and fired rockets at the Soviet Embassy and other targets in Kabul. The Associated Press reported from Islamabad, Pakistan.

The diplomatic sources, speaking on condition they not be identified, said that Soviet and Afghan government forces had mounted major operations in western Afghanistan around the city of Herat and that more fighting had been reported in the strategic Panjshir Valley in the north.

Reports from the Panjshir, scene of some of the heaviest fighting of the war, indicate a Soviet military base was attacked by guerrillas in late October and 16 Soviet soldiers were killed, the sources said.

### China Aids Refugees

China's official Xinhua news agency reported Tuesday that a Chinese delegation has given \$100,000 of relief supplies to Afghan refugees in Pakistan. The Associated Press reported from Beijing.

## WORLD BRIEFS

### Brother in Navy Spy Ring Gets Life

NORFOLK, Virginia (AP) — Arthur J. Walker, a retired U.S. Navy officer, received the maximum sentence Tuesday of life in prison on seven convictions of espionage stemming from a family-based ring that passed secrets to the Soviet Union for nearly 20 years. He also was fined \$250,000.

Mr. Walker, 51, a former lieutenant commander of Virginia Beach, was convicted Aug. 9 of passing classified documents from his employer, a military contractor, VSE Corp., to his brother, a retired navy communications specialist, John A. Walker Jr. U.S. District Judge J. Calvin Clarke Jr. imposed the maximum sentence of three life terms plus 40 years, all to run concurrently.

John Walker, 48, and his son, Seaman Michael L. Walker, 22, are awaiting sentencing in U.S. Court in Baltimore after pleading guilty to espionage. Another suspect in the ring, Jerry A. Whitworth, is awaiting trial on espionage charges in San Francisco.

### Torture Is Reported in Zimbabwe

LONDON (Reuters) — Amnesty International reported Tuesday a sharp increase in arrests and torture of suspected government opponents in Zimbabwe.

The human rights organization based in London said it had received persistent reports of beatings, electric shocks and other torture at government detention camps since a general election in the country in July. The organization has urged Prime Minister Robert Mugabe to act at once to end torture and to hold an independent public inquiry.

Members of parliament, officials and supporters of the Patriotic Front led by Joshua Nkomo have been arrested and held without charge, particularly in Matabeleland, the headquarters of the opposition party, according to the organization. At least 150 people have been arrested and held in Bulawayo, the main Matabele city, since July, the group said.

### Falkland Trial Summation Begins

BUENOS AIRES (NYT) — A prosecutor has asked a military court to strip three former Argentine rulers of their rank and sentence them to prison for eight to 12 years for "negligence" in involving the country in a 1982 war with Britain over the Falkland Islands, the Defense Ministry said.

Brigadier General Hector Canale, the prosecutor, began his summation on Monday in the closed-door proceedings against 16 officers, including Lieutenant General Leopoldo F. Galtieri, the former military president; Admiral Jorge Isaac Anaya, the junta's navy's representative, and Brigadier General Basilio Lami Dozo, the air force member. The court-martial began two years ago and a verdict is expected by the end of the year, officials said.



Leopoldo F. Galtieri

### Private University Opens in Pakistan

PARIS (IFT) — Inauguration ceremonies have been held in Karachi for Aga Kahn University, Pakistan's first private university, and the Aga Kahn Hospital, a teaching hospital affiliated with the school, the university announced.

The university's first faculty, in the health sciences, consists of a medical college and a nursing school. Both institutions have received funds from the Aga Kahn Foundation, a private nondenominational philanthropic organization based in Geneva, and from other international donors.

The Aga Kahn, chancellor of the university and spiritual leader of 20 million Ismaili Muslims, said at the Monday ceremony that, while open to all, they would be Islamic institutions drawing on the tradition of Moslem learning.

### Israel, Egypt to Resume Taba Talks

TEL AVIV (AP) — Israel and Egypt will resume their stalled talks on a seaside border dispute next month, the Egyptian chargé d'affaires in Israel, Mohammed Bassiouni, said Tuesday.

The decision to resume the talks on Taba, a resort at the northern tip of the Red Sea, was prompted by President Hosni Mubarak's efforts to advance momentum toward peace talks between Israel and Jordan, Israel Radio said. By settling the Taba dispute, Egypt apparently hopes to pave the way for its own involvement as a mediator in the peace talks, it added.

Egypt broke off the talks to protest Israel's Oct. 1 air raid on the headquarters of the Palestine Liberation Organization in Tunisia, in which about 70 people were killed.

### Ceausescu Reshuffles 3 Top Positions

VIENNA (UPI) — President Nicolae Ceausescu of Romania has relieved Foreign Minister Stefan Andrei of his post and shuffled two more top positions in a move called a surprise by Western observers in Bucharest.

Mr. Andrei was succeeded by Ilie Vaduva, head of the Academy of Economic Studies, the official news agency Agencepres said.

The agency also announced that the former deputy prime minister, Ioan Avram, had been named minister of industry. He traded positions with Ion Petre.

### For the Record

A third patient undergoing experimental treatment for AIDS with the drug zalcitabine died Saturday, hospital sources said in Grenoble, France. A researcher at a Paris hospital announced Monday that a patient there with the disease had died Saturday after three weeks of treatment. Another patient died before a Oct. 29 press conference at which the treatment was disclosed. (Reuters)

Bishop Abel Muzorewa, 60, prime minister of Zimbabwe Rhodesia in 1979, has resigned from the United African National Council, a small opposition party, a party official said Tuesday. (Reuters)

## Jordanian Official Visits Damascus To End Years of Regional Rivalry

Reuters

DAMASCUS — Prime Minister Zaid al-Rifai of Jordan began reconciliation talks with Syrian leaders Tuesday and said he was carrying an invitation to President Hafez al-Assad to visit Jordan.

Jordan and Syria have traded mutual recriminations for several years and in 1981 massed troops along their common border. Mr. Rifai said that King Hussein was inviting Mr. Assad to "visit Jordan, his second homeland."

A meeting between Mr. Rifai and Prime Minister Abdel-Rauf al-Kasbi marked the first time a Jordanian prime minister had visited Syria in six years.

Mr. Rifai, saying he was hopeful that his visit would "tighten and develop relations," said on his arrival: "The two sister countries have many things in common."

The official Syrian news agency SANA said that Mr. Rifai and Mr. Kasbi had discussed ways of promoting bilateral ties and reviewed all political issues of interest to both sides.

They have disagreed over Middle East peace and the Gulf war, with Syria supporting Iran and Jordan siding Iraq.

We announce with deep regret the loss of our great friend

Mme Ida Dembo De Lasta  
Internment cemetery Père-Lachaise  
Sylvia and Henri Cellerman.

Damascus also was upset 1 anti-government violence in Syria in 1979 but appeared to have been pleased by a public admission by Hussein on Sunday that some elements behind the violence had been living in Jordan.

Stating that a group, which he did not name, was responsible for the rift between the two countries, Hussein warned that conspirators would not be allowed to operate from Jordan.

Diplomats in Amman said that they believed the declaration was "a daring step toward reconciliation."

■ **Israeli Protest to Egypt**

William Claiborne of The Washington Post reported from Jerusalem:

Israel has protested to Egypt over President Hosni Mubarak's support for the Palestine Liberation Organization chairman, Yasser Arafat, saying that such backing could delay progress toward Jordanian-Israeli peace negotiations. Israeli officials said Tuesday.

Prime Minister Shimon Peres, in a message given Monday to the Egyptian chargé d'affaires in Tel Aviv, Mohammed Bassiouni, complained that Mr. Mubarak's support of Mr. Arafat's limited recognition of anti-Israeli violence would not advance the peace process, government sources said.

While Egyptian officials said they interpreted "occupied land" to mean the West Bank and Gaza Strip, Israeli officials say they regard the statement as including Israel inside the borders that existed before the 1967 Middle East war. Mr. Arafat has not clarified what he meant in defining the limits of the Palestinian armed struggle.

## Draft Accord Criticized by Nicaragua

By Stephen Kinzer  
New York Times Service

MANAGUA — Nicaragua will not sign any Central American peace agreement until the United States stops supporting anti-government rebels, President Daniel Ortega Saavedra has told the Managua diplomatic corps.

Mr. Ortega said Monday that his government could not agree to limit the size of its military until "basic minimum security conditions" are guaranteed.

"Any regional agreement presupposes the normalization of relations between Nicaragua and the United States," Mr. Ortega said, "which means the end of the aggressive policy of the United States against Nicaragua."

In a position paper, the Managua government said the United States should sign a protocol promising neutrality toward Nicaragua, and that the protocol should be attached to any future peace agreement. The U.S. government has provided millions of dollars in aid to groups fighting the Sandinists.

Mr. Ortega's statement was a response to the latest draft treaty drawn up by the four-nation Contadora group, comprising of Panama, Venezuela, Colombia and Mexico. The draft has not been made public, but Mr. Ortega said what amounted to a series of Sandinist positions on it.

A continuing dispute among Central American nations has been

## Americans to Join Miskito Insurgents

New York Times Service

SAN JOSE, Costa Rica — Three American Indian activists have announced in Costa Rica that they are joining the cause of rebel Miskito Indians in Nicaragua.

Russell Means, a leader of the American Indian Movement, said in San José last week that he hoped to recruit 50 to 100 "warriors from North America" to join Miskito fighters to oppose the Sandinist government.

Mr. Means, who appeared at a news conference with Glenna Morris, a Shawnee activist, and Hank Adams, who has advised U.S. agencies on questions of Indian sovereignty, said sending American Indian combatants to fight in Nicaragua would "begin the process of uniting the red people of the Western Hemisphere." Groups of Miskito Indians have been in rebellion against the Sandinist government for more than four years.

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## AMERICAN TOPICS

### Attorney General Challenges Independent Federal Agencies

Over the years, Congress has affirmed that more than a dozen agencies it has created, beginning in 1890 with the Interstate Commerce Commission and now including the Federal Reserve Board and the Federal Trade Commission, must be independent of presidential control. The Supreme Court upheld such laws in 1935, ruling that President Franklin D. Roosevelt had no authority to dismiss a member of the trade commission for political or policy reasons.

Now, The New York Times reports, Attorney General Edwin Meese III, having already taken on the Supreme Court, has turned his attention to the independent agencies, suggesting that they may be unconstitutional. In a little-noticed speech Sept. 13 before a meeting of the Federal Bar Association in Detroit, Mr. Meese said the framers of the U.S. Constitution did not intend for federal agencies to be independent of the president or to be politically unaccountable.

"Power granted by Congress should be properly understood as power granted to the executive," Mr. Meese said. "It should be up to the president to enforce the law."

When the speech was drawn to the attention of Representative John D. Dingell, a Michigan Democrat who is chairman of the House Energy and Commerce Committee, he said, "This looks to me like the culmination of a long-planned raid on the independent agencies."

### Short Takes

With the traditional circus introduction of "ladies and gentlemen, children of all ages," Kristopher Antekier, 28, was presented in the center ring at the Chicago Stadium as the new ringmaster of the Ringling Bros. and Barnum & Bailey Circus. Kenneth Feld, who owns and runs the circus, said Mr. Antekier was singled out after months of auditions of hundreds of candidates for his booming baritone, stage presence and rendition of P.T. Barnum's motto set to music: "A Sucker Born Every Minute."

More and more wild animals in the United States are making their peace with urban sprawl. Wild turkeys, which used to stay as far away from people as possible, have moved into the suburbs and large city parks of Washington, Philadelphia, Kansas City and St. Louis. Deer have become an occasional menace to navigation at Dulles International Airport near Washington. Ted Godshall, a Pennsylvania Game Commission official, said bears have been found hibernating in people's front yards in the Philadelphia area, sometimes within 50 feet (15 meters) of the front door.



**MAIL-ORDER BRIDE** — Jill Bando of Olympia, Washington, met Tom Williams at the Anchorage International Airport, after Mr. Williams chose her from more than 600 respondents to his newspaper advertisement for a wife. Mr. Williams advertised for himself and other workers at a remote Alaskan outpost, where they are building a replica of an 1800s mining camp.

The late Orson Welles, in a filmed interview shown at a memorial service in Hollywood that drew an overflow crowd of 500, said his problem was that he was "too much in love" with the movies: "There is no damned cure for it. I would have been much better off after I made my first picture if I'd gone back into the theater, but I had taken the most expensive mistress that any man

could have and I've been trying to support her ever since."

**Shorter Takes:** The Georgia Institute of Technology at Atlanta, better known as Georgia Tech, is observing the 100th anniversary of its founding, which was aimed at helping to give the South the industrial base it so tellingly lacked during the Civil War. According to the National Oceanic and Atmospheric Administration, at least 150 people in the United States have been killed by floods every year for the past 25 years, more than by any other weather-related phenomena such as blizzards, mud slides or lightning bolts. ... In a recent toast at a luncheon to celebrate the 35th anniversary of the Arena Stage in Washington, Sir Oliver Wright, the British ambassador, referred to the city as "the capital of our friendly neighborhood superpower."

— Compiled by ARTHUR HIGBEE

## Soviet Is Accused of Systematic Violations

By Walter Pincus  
Washington Post Service

**WASHINGTON** — A long-awaited Defense Department study of Soviet violations of arms agreements that is to be sent to President Ronald Reagan this week accuses Moscow of systematically breaking treaties to gain military advantages, but does not recommend any U.S. responses, according to administration sources.

The report has been considered important because of its scheduled arrival at the White House only a week before Mr. Reagan's summit meeting with Mikhail S. Gorbachev in Geneva, where the president is expected to press the Soviet leader on arms violations.

The study, drafted primarily by Richard N. Perle, assistant secretary of defense for international security policy, generally recounts details of alleged Soviet violations already made public by the administration. It contains no new revelations, the sources said Monday.

Suggested U.S. responses to Soviet violations of the 1979 strategic arms limitation treaty and other treaties, originally intended to be the focus of the Perle study, will be contained in a second part of the

study, according to a source. Although the U.S. Senate never ratified the 1979 treaty, both sides had pledged to adhere to its limits.

The source said the responses to the violations will not be ready until after the Nov. 19-20 summit meeting. A senior official attributed that delay to a desire to see how Mr. Gorbachev responds to Mr. Reagan's presentation.

Another official, however, said the Pentagon report "is being submitted" by preparations for the summit meeting and will not be the "time bomb" that many people had expected.

The study was ordered in June by the National Security Council after an interdepartmental battle over how to respond to Soviet violations. At that time, Mr. Reagan decided to ignore a proposal from Defense Secretary Caspar W. Weinberger to exceed the numerical weapons limits of the 1979 SALT-2 treaty.

Instead, the president ordered the dismantling of a U.S. Poseidon submarine and its 16 nuclear missiles in a move that kept the United States below the treaty ceiling and surprised arms control advocates as well as opponents.

With no summit meeting in sight at that time, the Pentagon was authorized to draft future U.S. responses in the event that Moscow continues its pattern of violations.

The report will contain a "careful and deliberate analysis" of past Soviet actions and their "significance," a senior official said.

For example, the study attempts to explain why the Soviet Union deliberately built a large radar in central Siberia, in what the United States claims is a violation of the 1972 Anti-Ballistic Missile Treaty, the official said.

The study also provides more details on the alleged SALT-2 violations posed by the new Soviet mobile SS-25 intercontinental ballistic missiles. Last month, Mr. Weinberger told North Atlantic Treaty Organization defense ministers that

the SS-25 was a radically new missile, not an updated version of the SS-13, as claimed by the Soviet Union. Under SALT-2, each side was only allowed one new missile and Moscow had said the SS-24 would qualify for this.

The study is the latest symbol of summit maneuvering before the summit meeting within the Reagan administration. Mr. Perle, a relentless critic of Moscow and past arms agreements, has been described in news reports as delaying the study to prevent other officials from reviewing and tempering it.

Other officials said Monday that the apparent failure of the Pentagon report to carry the explosive punch anticipated by some administration moderates may indicate that the violations issue has run its course, at least temporarily.

## Russians Insist on Ban On Space Arms Research

(Continued from Page 1)

senior adviser on arms control to Mr. Reagan, has held out the hope that such guidelines could be achieved to provide an impulse to the negotiators in Geneva.

According to other senior Reagan administration officials, when the subject of space weapons research came up in Moscow during the visit last week of Secretary of State George P. Shultz and Robert C. McFarlane, the national security adviser, there was no sign of any compromise from the Soviet side.

One official said that a draft set of guidelines proposed by the Soviet side included "a complete ban on every activity in any way related to strategic defense."

"And that includes fundamental research that is foreclosed still in their mind, and so, that's just not a reasonable framework for discussion," he said.

After Mr. Gorbachev's interview with Time, there was some speculation that a compromise might be achieved on an approach to arms control — agreement on sharp cuts in offensive nuclear arms, in return

for U.S. agreement not to proceed beyond the research phase in space defense weapons. There would have to be an agreement on just what constituted research, but Mr. Gorbachev had seemed to argue that initial phases of scientific investigation would be allowable.

However, Mr. Nitze said last Friday that the Russians draw a distinction between U.S. and Soviet research.

"The position they have taken in the negotiations in Geneva is that even fundamental and laboratory research directed toward the end of the creation of what they define as being space-strike weapons," should be barred. Such weapons, he said, in the Soviet definition, include those "in space designed for the purpose of countering objects in space or on earth — or on earth, designed to counter objects in space."

This would bar research into U.S. space weapons, but would not affect Soviet space research, the Soviet side said, because it "is not directed in that direction" of weaponry, Mr. Nitze said.

## Return of Soviet Sailor To Ship Violated Rules

By Philip Shenon  
New York Times Service

**WASHINGTON** — The commissioner of the Immigration and Naturalization Service says that he expects disciplinary action to be taken against two Border Patrol agents who forcibly returned a Soviet seaman to his ship last month. The commissioner, Alan C. Nelson, conceded Monday: "There obviously were mistakes made."

He added, "Our agents did make a mistake in not following the guidelines" after the sailor, Miroslav Medvid, who is a Ukrainian, jumped from the grain freighter into the Mississippi River near New Orleans on Oct. 24.

Mr. Nelson said the agency had submitted a report to the Justice Department detailing the mistakes made by the two agents, who have not been publicly identified. The report said that the agents acted hastily and violated regulations by returning Mr. Medvid to the freighter without consulting supervisors, according to Reagan administration officials.

Mr. Nelson said he would delay a decision on how to discipline the agents until meeting this week with the agency's Southern regional director. "I'm expecting disciplinary action will be recommended," he said.

The State Department subsequently arranged the removal of the sailor from the ship on Oct. 29 and interviewed him. In those discussions, the department said, Mr. Medvid stated repeatedly that he wanted to go back to the Soviet Union. He was permitted to re-board the ship, which left American waters over the weekend with him aboard.

Over his protests, Mr. Medvid was first returned to the freighter, the Marshal Konev, at about midnight Oct. 25, only a few hours after

he jumped. According to Mr. Nelson, the border agents "should have retained Mr. Medvid at least overnight." The agents have said that they did not believe he was seeking political asylum.



Prince Charles chatting with workers at the Library of Congress in Washington after a visit to view rare papers.

## King-Size Crowds Follow Royals' Washington Visit

By Francis X. Clines  
New York Times Service

**WASHINGTON** — The man who would be king played amiable merchandiser on Monday, inquiring about the bed quilt at a J.C. Penney Co. department store. "Is it king-size or queen-size?" the Prince of Wales asked, bringing a burst of laughter from a crowd that watched him stroll through a suburban shopping mall.

With comparable curiosity, Prince Charles, the heir apparent to the English throne, asked detailed questions later about the documents of the U.S. Constitution at the Library of Congress as he com-

pleted a busy three-day tour of the capital. "He was remarkable," said Daniel J. Boorstin, the librarian of Congress. "His curiosity about our government was a measure of his intelligence."

The prince and his wife, Diana, Princess of Wales, caused a stir wherever they went. The greatest stirring of all, however, came when they unexpectedly browsed Penney's racks of maternity clothes, beginning another round in the continuous speculation about when they might have another child.

Store officials, who had hoped to publicize the British exports that the prince was promoting, instead were greeted with the shouted question from reporters: "What happened in maternity?"

David Miller, president of Penney's, said the couple had stopped at a colorful dress, not realizing it was a maternity outfit. "Her real interest was in novelty fleece tops," he insisted as the royal entourage continued a visit that included a stop by the princess at a drug rehabilitation center, Straight Inc., near the Springfield, Virginia, mall.

On that visit, Diana was accompanied by Nancy Reagan and their friendliness was apparent when the president's wife breached royal etiquette to put her arm around the princess's waist.

Charles, meanwhile, bantered with the crowds that grew up around him everywhere. "Do you really work here?" he asked, suddenly stopping to chat with Olivia Bickley, a catalogue supervisor for the Library of Congress. Workers laughed, and she replied that she worked with computers.

"Ah, do you get a wrist strain from computers, as everybody says?" asked the prince, peering at her with a gentle smile. No, he was told. The prince and princess finished Monday night at a reception for 300 people and a dinner for 60 at the National Gallery of Art's East Garden.

The royal couple left Tuesday morning for Palm Beach, Florida, for a day that included a charity dinner and polo match before returning home to London.

Their other stops on Monday were a private luncheon at the British Embassy and a Veterans Day visit to Arlington National Cemetery.

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# Herald Tribune

Published With The New York Times and The Washington Post

## Not an Absolute Claim

A political leader can face no more urgent, heartrending and seemingly irresistible appeal than that made to President Reagan by four Americans held hostage in Lebanon. Abandon "quiet diplomacy" and negotiate for our release, wrote the four, who have been innocent captives for five to 10 months in circumstances that may already have taken the lives of one or two of their comrades. To which the White House replied that the policy of not negotiating with terrorists "will not change."

The president is right, although it is important to be clear about what that means. The assertion that Washington will not negotiate with hostage-takers is not an abstract display of pride and resolve. Hundreds of thousands of Americans are abroad at any given moment, many in sensitive places. All — some more, some less — are at greater risk if the government's conduct spreads the expectation that America will pay easily to reclaim hostages.

Scores of other governments, moreover, rely quietly on U.S. constancy. Kuwait holds 17 convicted terrorists prisoner; it is evidently for their release that the Americans were seized. If Mr. Reagan accepts the four's insistence that saving the lives of innocents "should be the primary goal," he risks immense damage to the

integrity and security of a friendly state. He also sends to other would-be terrorists and other would-be friends of America a message of potentially devastating consequences.

To see how such a message plays out, you need only look at the weekend tragedy in Colombia. Guerrillas, evidently acting at least in part on the expectations created by the government's prior flexibility, seized the Palace of Justice. This time, however, the government decided it could not yield. In the ensuing shoot-out, dozens of hostages were killed, including 11 supreme court justices, and the whole interior balance of the nation was upset.

Americans, especially private civilians caught up by chance in international terrorism, have an immense claim on the compassion of their countrymen and the protection of their government. But not an absolute claim. Talks or dealings of some sort, whether called "negotiations" or something else, may eventually have a role in their liberation. But the president must be left with adequate tactical discretion. He alone can have the fullest available knowledge of the terrain. He alone has the responsibility to guard the national interest as well as to aid citizens in distress.

— THE WASHINGTON POST.

## Betancur Was Right

More than any Colombian president in a generation, Belisario Betancur has stood for a peaceful solution to his country's endemic guerrilla problem. So last week's bloodbath at Bogotá's Palace of Justice is a double tragedy. The guerrilla takeover and government forces' counterassault killed scores of innocent people, including a dozen high court judges. It also destroyed, for the time being, a peace process that had seemed a model for a troubled region. The blame for this double tragedy lies squarely with the M-19 guerrillas.

When Mr. Betancur assumed Colombia's presidency in 1982, his authority had been undermined by political maneuver and by social disparities. The law was brazenly defied by a drug mafia as well as by audacious guerrilla bands. Five years ago, M-19 guerrillas seized the United States ambassador and 51 others at a diplomatic reception. Last year, drug gunmen assassinated the minister of justice.

President Betancur's sound response was to address legitimate grievances and to offer negotiations, but to insist on respect for constitu-

tional rule. He re-established the dignity of government and raised hopes for civil peace. Last week's suicidal attack on the nation's judicial center was an act of reckless desperation. A truce between M-19 and the Betancur government had collapsed earlier this year, even as other guerrilla groups kept negotiating. Government forces seemed to be gaining the upper hand in fierce fighting when M-19 tried to dramatize its case with a single blow. A band of guerrillas shot their way into the Palace of Justice, murdering guards and seizing most of the country's top judges and hundreds of court aides. President Betancur refused to negotiate under the gun.

He accepts responsibility for the costly battle, even as he mourns the dead on both sides. To have negotiated under threat, even about reasonable demands, would have betrayed all that this wise and good president has accomplished. By undermining his authority he would have compromised the peace process even more certainly than will this bloodbath.

— THE NEW YORK TIMES.

## Other Opinion

### A Candid Blueprint for Africa

Robert S. McNamara has provided a useful blueprint of what must be done if Africa is to be rescued from "unimaginable human misery." His message is important for what he says, with unusual candor, about reforms that African leaders themselves must implement.

"The harsh truth is that sub-Saharan Africa today faces a crisis of unprecedented proportions," Mr. McNamara said on Nov. 1. "The physical environment is deteriorating. Per capita production of food grains is falling. Population growth rates are the highest in the world and rising. National economies are in disarray. And international assistance in real terms is moving sharply downward."

The blueprint was included in the recent Sir John Crawford Memorial Lecture, sponsored by the government of Australia and delivered by Mr. McNamara in Washington before the Consultative Group on International Agricultural Research. That group finances the 13 independent agricultural research centers that were the birthplace of the Green Revolution.

Mr. McNamara, when he was president of the World Bank, helped shift the focus of development to agriculture and to Africa, mobilizing an aid program that has invested more outside funds per capita than anywhere else in the world except Israel. That makes the deterioration all the more troubling. Africa, alone among the Third World continents, continues in decline despite this massive assistance.

Colonialism complicated an already desperate situation by exploiting resources and neglecting the development of people. The rush to independence brought to power many without the training or civic commitment for effective leadership. Until recently, aid donors have rarely offered coordinated and coherent programs emphasizing reform. Mr. McNamara emphasizes two areas of reform: in the leadership of nations, and in development strategies.

Speaking of failed leadership, he broke what he called "a conspiracy of silence" that has prevailed among friends of Africa. He noted the "very poor" record on human rights. "There is concern over the pervasiveness of corruption," he said. "There is concern over

the use of scarce resources to build large defense establishments and luxury projects. There is concern over the harsh treatment of regional groups. And there is concern over the repression of internal dissent."

On the reformation of policy, Mr. McNamara called for a new focus on agriculture and the peasant farmer, elimination or at least reform of ineffective bureaucracies, moderation of population growth and real efforts to reverse ecological deterioration. A key in both development acceleration and population control is "enhancing the status of women socially, economically and politically," he said.

— THE LOS ANGELES TIMES.

### A Tough Royal Assignment

There can be few more demanding tasks, especially if you are young, than striking a happy mean between being royal and fulfilling America's expectations. Majesty has a mysterious value for this nation. How natural that in a country like America, which has a different history, this mysterious value should be the modern times be subject to the sharpest of scrutiny, even skepticism. How natural that America's media, sniffing perhaps a faint alibi whiff of nostalgia among some in their midst, should seek to bring it all down to earth with "Chuck and Di" and all that jazz. There can be no complaint. But the burden of striking a happy mean between that former colony and this old island has fallen squarely on the shoulders of the Prince and Princess of Wales, making their first joint visit to America. By any standard, they have borne it well.

— THE DAILY TELEGRAPH (London).

Why does the sight of the Waleses make Americans go dopey? Because we love camp. In a town full of people with pomp-less power, it is a kick to see powerless pomp, like seeing a vice president in sash and sword. I could note how this celebration of self-consciously empty glitz is the perfect expression of the wealth worship and limo culture of the new, imperial Washington, but that would spoil the fun.

— Columnist Charles Krauthammer, writing in The Washington Post.

## This Summit Is Making People Nervous

By David S. Broder

WASHINGTON — Thanks to an accident of timing, we now have learned the difference between a royal visit and a summit conference. A royal visit sends official Washington into a state of nervous anticipation and excitement. With a summit, it's just plain nervousness.

I leave it to my betters to explain why the visit of the Prince and Princess of Wales caused such tremors of delight in the top circles of Washington. Among the leaf-rakers and weekend tennis bums with whom I consort, it was no big deal. But even where I hang out, the approaching Reagan-Gorbachev summit is a topic of great interest and, generally speaking, apprehension.

The tone of disquiet radiating outward from the White House itself is causing a great many people to ask of President Reagan's visit to Geneva: Is this trip really necessary?

Part of the queasiness is caused by bizarre events leading up to the summit: the defection and re-defection of a KGB official and the ship-jumping and subsequent departure of a sailor. Such cases leave the impression that you can't trust your senses when the Soviet are involved.

At a higher level, Secretary of State George Shultz and National Security Adviser Robert McFarlane appeared to be shaken by their pre-summit encounter in Moscow with Mikhail Gorbachev. Mr. Shultz described him as "combative" and came away saying no one should expect substantive agreements in Geneva next week.

Meanwhile, the president has provided further evidence that he is going to the summit with his mind still scrambled on what he wants to say and do there. What the White House called "imprecision" in his remarks to the Soviet journalists on

his thoughts about eventual deployment of a space-based strategic defense system clearly shook the negotiators on both sides.

Given what Mr. Shultz said about Mr. Gorbachev's suspicions about America, it is easy to imagine the Russians concluding from the president's wavering utterances that negotiation is just a charade to cover U.S. rearmament plans.

I do not think this is the case. I believe that Mr. Reagan is perfectly sincere in wanting to cap the arms race, to reduce existing nuclear weapons stocks and to stabilize the system at lower levels of terror and destruction. I think he and his wife want history to write that Ronald Reagan was a peacemaker, not just a weapons builder.

But it is as evident as anything can be that Mr. Reagan has not learned arms control issues well enough to analyze competing proposals and strategies, and also that there are powerful forces inside his administration who oppose arms control and will do their utmost to ensure that the negotiating process produces no results.

They have sold him on "star wars" as the ultimate defense against nuclear weapons, which the scientific evidence suggests it is unlikely ever to be. They have diverted his attention from a fact the Soviets well understand: that "star wars" technology could produce a new wave of offensive weapons that would jeopardize the existing nuclear parity of the superpowers.

For all these reasons, I have thought for several months that the Reagan-Gorbachev summit is likely to be a disappointment and could be a

fiasco. It is probable that General Secretary Gorbachev will take umbrage at what he may interpret as Mr. Reagan's studied "imprecision" and conclude that the weapons builders in the Pentagon have Mr. Reagan in their pocket. If Mr. Gorbachev challenges Mr. Reagan's sincerity, or pushes too hard for precise promises, Mr. Reagan is altogether likely to get his back up and revert to the ideological stereotypes he has long voiced about Soviet wickedness.

That kind of summit could set both nations back on the course of competitive arms building and raise the risk of confrontation even higher. I do not think that is what Mr. Reagan wants to leave as a legacy. Because this president is often better on his second tries, I thought a possible Geneva II, in 1986 or 1987, would produce the results that are likely to elude him in 1985. But people who know the Kremlin much better than I tell me that Mr. Reagan may not get a second chance. If Geneva I goes as badly as now seems possible, they say Mr. Gorbachev must decide now whether this is an administration with which he can usefully negotiate. He needs the answer before he submits his long-term plans to the Soviet party congress this winter.

If Mr. Gorbachev goes home complaining either of Mr. Reagan's obtuseness or of his obduracy, it may be a long time — and another administration — before we have a real chance for substantial improvements in U.S.-Soviet relations. I hope that view is wrong. I hope Mr. Reagan and Mr. Gorbachev ally my apprehensions about what will happen next week in Geneva. But that explains the nervousness.

The Washington Post.



## The Three Affairs Seem Unrelated to the Summit

By Arkady N. Shevchenko

The writer, author of "Breaking with Moscow," is a former Soviet diplomat. He was a United Nations undersecretary-general when he defected in 1978.

WASHINGTON — I have experienced the ordeal of former Soviet citizens known in the West as "defectors." Their behavior can be bizarre, particularly in the early days of the defection. This simple explanation may be valid in the case of the KGB defector Vitaly Yurchenko, who decided to return to the Soviet Union after claiming that he had been kidnapped, beaten and drugged by the CIA.

But was he a genuine defector? Could it be that this aborted defection was the guise for a devilish Kremlin plot designed to embarrass the White House on the eve of the Reagan-Gorbachev summit meeting in Geneva? Is there a link between this plot and two other recent incidents with Soviet citizens — in New Orleans and Kabul — both of whom tried to defect and later decided to return to the Soviet Union?

Mr. Yurchenko is now back in the Soviet Union and we may never be able to completely resolve the mystery of his re-defection. In my opinion, however, much of the speculation about Mr. Yurchenko is off the mark. I do not believe, for example, that the Kremlin would use a Yurchenko to jeopardize the Geneva summit meeting. Past Soviet leaders whom I have known would not have resorted to such James Bond and George Smiley gambits in connection with preparations for the Soviet-American meetings at the highest level. Nor should we expect Mr. Gorbachev to act differently. There is too much at stake

for the present Kremlin leadership. I see no link between the Yurchenko affair and the incidents involving sailor Miroslav Medvidj in New Orleans and a Soviet soldier in Kabul. Both of them were, in my view, true defectors. In all probability they changed their minds because the way they were handled shattered their trust in Americans and they saw no other choice but to go back to the Soviet Union.

Can we presume, as was suggested, that Mr. Yurchenko was sent on a mission aimed at torpedoing the complacency of the CIA and trying to find out, during the so-called debriefings, how much the CIA presently knows about Soviet policy and KGB intelligence operations? That cannot be ruled out. But my own experience suggests that Mr. Yurchenko could learn rather little in the course of the debriefings.

And who is he anyway? Not long ago he was merely the security officer at the Soviet Embassy in Washington, a watchdog but not a high-caliber intelligence expert. Later, in Moscow, he was promoted, but certainly not to the position that the American public has been led to imagine. Ill-founded and widely publicized reports stating that Mr. Yurchenko was a prize catch, the fifth-ranking KGB official (which is ridiculous nonsense), certainly blew

this case out of proportion. In fact, the case was not a KGB-made but an American-made sensation.

It is not surprising to me that after all this publicity, Moscow (it was surely a Politburo decision) moved to exploit the case to maximum advantage. Otherwise it would have been merely another routine episode in the continuous spy war between the Soviet Union and the West. So Moscow brought Mr. Yurchenko face to face with the American media in Washington before his departure. Had it not done so, many people in the free world would have thought that Mr. Yurchenko had been kidnapped by the KGB.

Of course he was not kidnapped, tortured and drugged by the CIA. I dismiss entirely these outrageous Soviet fabrications designed to frighten other potential Soviet defectors. After I defected I was a free man, even in the CIA "safe house." Neither the CIA nor the FBI should be blamed for allowing Mr. Yurchenko to escape so easily from their custody. It would be contrary to the principles on which America is based to equate the "safe houses" for defectors with a kind of KGB Lubyanka prison in Moscow.

What will happen to Mr. Yurchenko? If he were part of a KGB plot, he may remain on the surface as long as it fits the Kremlin scheme

and even be awarded, for propaganda purposes, the Order of Lenin. Still, I am positive that Moscow would never trust anyone who had been in American hands for some time. If he really defected, which is likely, and later changed his mind, he will never be forgiven and will eventually be punished severely.

A lesson to be learned is that we have to understand better the agonizing ordeal of the defector. The psychological state of a person who has decided to break with his past, his traditions, his family, his compatriots and his familiarity with his culture is fragile. The internal conflict that results from his allegiance to his native land and his decision to leave an unknown world — a world that promises to be Arcadia but that may turn out to be a disappointment — is at the root of his depression, hesitation and erratic actions.

Delicate care and tact are needed to help him cross the line and adjust to a new life. The newly established and privately financed institution, the Jamestown Foundation, which helped me so much after my break with the Soviet system could be of great value in this respect.

The Yurchenko case, whatever his motivations or task, should not mislead Americans about the possible sincerity of Soviet defectors. Many thousands of former Soviet citizens are now active and useful part of American society. After all, the United States was born as a nation of immigrants.

The New York Times.

## A Moment Of Hope For Ulster

By Flora Lewis

BELFAST — Britain and Ireland are on the verge of an unprecedented agreement: that Northern Ireland that will give the Republic a consultative responsibility there.

It is part of the endlessly involved problem here that if agreement fails at the last minute, both sides would see it as an ominous catastrophe; but if there is success, few in Ulster will be pleased and most will be critical.

Most people are so dug in behind mental barricades that they see even a small concession as a slide "down the slippery slope" to "betrayal." They argue their causes passionately on the basis of selective history, rather than address steps that could ease their problems. A slogan on a Belfast wall sums up: "To hell with the future and long live the past."

"How sad," says John Hume, courageous leader of Northern Ireland's Social Democratic and Labor Party, who is trying to rally support for a move to ease tensions. He is working closely with Prime Minister Garrett FitzGerald, a charismatic politician embattled against demagogues.

Few Irishmen on either side are aware that the line of partition is the last disputed border and the last case of irreconcilable in Western Europe. They are an anachronism. Despite a thousand years of wars, other West Europeans have now managed to surmount the urge to vengeance and domination by force in favor of reconciliation, which benefits them all.

But people in Northern Ireland on both sides are called the "nationalist" and the "loyalist" sides are modern enough to complain that it is undemocratic for London and Dublin to do a deal over their heads.

The fact is that many do not want a settlement on less than obtainable terms. Those who do want compromise haven't the strength to reach it. There is not even a Protestant leader to stand as counterweight to Mr. Hume, who is convinced there are many quiet moderates among the Protestant rank and file. This is a classic case of the noisy and violent extremes overwhelming those who want peace.

It is because they realize that nothing will be achieved inside Northern Ireland without an initiative from outside that London and Dublin have come together. Precisely because she is so tough, Prime Minister Margaret Thatcher is an asset in this effort. She has promised to make no concessions on sovereignty, but she accepts an "Irish dimension" to the conflict, the need to involve the Republic in addressing real grievances of Northern Catholics. She will not be scared off by Protestants who rant that Ireland is a foreign country and must be treated only as such.

The details of the coming accord remain secret, but it is clearly a very limited step. Quite correctly, however, the Sinn Féin, which does only the necessary to veil its connection with Irish Republican Army terrorists, and Protestant militants, who have their own things in the Ulster Defense Association, feel it is an attempt to reduce their influence.

What will they try to do to destroy the agreement? A surge in violence is anticipated. The gamble London and Dublin is that 16 years of communal violence has wearied the Northern Irish enough to make many heed the call of hope instead of the old summons to bitterness.

Britain and Ireland each have their own reasons for wanting to calm the situation. Despite the tired Irish slogans, the British do not want to run Northern Ireland anymore. They want the "Irish problem" to go away and stop the drain on their money and military manpower. The Dublin government is worried about the rise of Sinn Féin revolutionaries.

The most optimistic do not expect the situation to turn around soon. But at least the agreement is an effort to move in a new direction and give people a chance to emerge from the burdens of a dreadful past.

The attitude of the U.S. government and of Irish-Americans has great influence. They should make loud and clear — at least as loud as the strident Northern militants — the message that conciliation has America's support and sympathy.

The New York Times.

## FROM OUR NOV. 13 PAGES, 75 AND 50 YEARS AGO

### 1910: Tolstoy Leaves His Family

ST. PETERSBURG — Prince Obolensky, whose estate adjoins that of Leo Tolstoy, telegraphs from Tula that Count Tolstoy has disappeared. He left Yasenaya Polyana [on Nov. 10], leaving a letter for his wife saying he could no longer live surrounded by luxury and, like many other old men, was retiring from the life of the world to complete solitude. He asked his wife not to seek his place of sojourn and not to come to him if she discovered it. He begged forgiveness for the grief which his departure might cause her. The family, and especially the countess, is deeply distressed at the count's disappearance. There are reasons to believe that the count has proceeded to an old monastery in the province of Kaluga.

### 1935: An Ancient Egyptian Tunnel

CAIRO — Egypt has just revealed one more page of ancient history — a subway system of 2766 B.C. It is believed to have been part of a greater architectural plan conceived after the creation of the Pyramid of Chephren. The passage provides a means of going from the necropolis of King Cheops, believed to have been the builder of the Great Pyramid, to that of King Chephren, the builder of the Second Pyramid. It passes under the causeway which stretches for nearly a mile between the Second Pyramid and the Temple of the Sphinx and is paved with blocks fitted together as carefully as the blocks in the pyramids. Excavators have gone down 125 feet; in the lower level it is hoped still greater discoveries may be made.

## America's Commitment Is to Filipinos

By Robert A. Manning

WASHINGTON — When President Ferdinand Marcos announced early elections at the beginning of next year, he hoped above all to deflect American demands for political, military and economic reforms in the Philippines. In fact his announcement only highlighted the pressing need for change and for American measures to further it.

There is a growing consensus in Washington that the United States must get tough with Mr. Marcos, but there is little idea of what to do.

To its credit, since the murder of opposition leader Benigno Aquino in August 1983, the United States has distanced itself from the Marcos regime. It has pursued a dialogue with the opposition and stepped up calls for reforms. But vast amounts of American economic aid have continued to flow to Manila — part of a policy of "constructive engagement" that has led Mr. Marcos to believe that the United States needs him more than he needs it.

Evidence that he has spurned U.S. calls for reform is substantial.

- He has tightened his control over the official commission on elections. He has revoked the authority of the independent watchdog group, the National Movement for Free Elections, without which the parliamentary elections of May 1984 would not have been as fair as they were.
- Military abuses have not abated. Indeed the level of violence appears to be increasing. Some 15 Americans are said to have been killed by the

Philippine armed forces, and 21 civilians were massacred by the local militia on Negros Island in September.

- There has been little sign of economic improvement. The economy contracted by 5.5 percent last year, and a second year of negative growth is projected this year. Mr. Marcos has made no serious efforts to dismantle the coconut and sugar monopolies controlled by his supporters.
- Mr. Marcos is clearly more concerned with staying in power than with reform. His handling of the Aquino case is typical of the sleight of hand he uses to diffuse criticism. A commission of inquiry appointed by the president issued a report last year indicating high-level military involvement in the murder, but the supreme court ruled that evidence from the hearings was inadmissible in the trial that followed, thus undermining the case against the former chief of the armed forces, General Fabian Ver, and 25 other senior officers.

In the face of such intransigence, America must begin to disengage from the Marcos regime. The Reagan administration has many ways of applying pressure. In addition to the \$900 million in aid scheduled for the Philippines from 1984 to 1989 in exchange for use of Clark Air Field and the naval base at Subic Bay, Washington provides hundreds of millions of dollars in food aid. Export-Import Bank credits, commodity credits, ag-

ricultural credits and indirect aid channeled through multilateral institutions such as the World Bank and the Asian Development Bank.

The first sanction should be a phased cutoff of credits from the Export-Import Bank. At the same time, as much economic aid as possible should be channeled through the private sector rather than the Marcos government. The United States should use its leverage in the World Bank and the Asian Development Bank and among allied donors to restrict aid to Manila unless it is conditioned on reforms. There should also be an embargo on new military construction on the American bases.

If, after a decent interval, major reforms are not forthcoming, more sanctions should be applied. The two key tests ahead are the reinstatement or not of General Ver, and the coming elections. If the general is reinstated, the Reagan administration should quickly make it known that it would tolerate a congressional decision to cut off military aid. Unfair elections should trigger further tightening of aid and credits.

Washington must begin to demonstrate that its commitment is to the Filipino people, not the Marcos dynasty. A failure to make that clear now could cause irreparable damage to American strategic interests.

The writer is diplomatic correspondent for the newsmagazine U.S. News & World Report. He contributed this comment to The New York Times.

## LETTERS TO THE EDITOR

### Rights on the Agenda?

There is no evidence that President Reagan wants to use the Geneva summit to promote human rights. Andrew Nagorski (in "But Gorbachev Has the Weaker Hand," Nov. 8) correctly stresses Mikhail Gorbachev's weaknesses and needs, but he is naive if he thinks that human rights feature on the White House agenda.

In countries where people are struggling for human rights — South Africa, the Philippines, Chile — Mr. Reagan supports the oppressor. He may make the right noises about the Soviet bloc, but there was more liberalization and emigration during détente, as negotiated and pursued by Henry Kissinger and Jimmy Carter.

A historic moment was missed during the 16 months of Solidarity's existence, when massive conditional aid to Poland from the West might have stabilized the freedoms gained by Polish workers. But Mr. Reagan used that window of opportunity simply for propaganda purposes to berate communism. If I were a Soviet reformer or refusenik, I would hope for

the best from Geneva but, given Mr. Reagan's note, not his words. I would prepare for no change at all.

DENIS MACSHANE, Geneva.

### Japan Is Not Wealthy

According to "In Japan, Progress Eludes Many Among the Masses" (Nov. 1), only 34 percent of Japanese communities have modern sewer systems and only 51 percent of Japanese roads were paved as of 1982, compared with high percentages in Britain and the United States. The report also says that the average size of houses in Japan is far smaller than that in the United States. I assume that this reporting is correct.

But I am irritated to see the report declaring that "Japan is a wealthy nation." As anyone interested in Japan should know, it is not a wealthy country. A population of 120 million live on a small territory the greater part of which is mountains without natural resources. Japan only recently reached a level of living standards comparable to those in Western countries. It has not been able to accumulate wealth, unlike the United States, Britain and other Western countries that have done it in long years. Virtually no Japanese has his own airplane or deluxe cruise boat. The evidence of the roads and sewage systems confirms relative poverty.

MASAOKI MOTOZONO, Kamakura, Japan.

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# South African Police Kill 2 Black Women

**JOHANNESBURG** — South African police said Tuesday that they shot to death two black women in overnight riots.

Police headquarters in Pretoria said one woman was killed after the police fired on a crowd throwing gasoline bombs at an anti-riot squad near Umtata in northern Cape province.

The second was killed when a policeman fired on a crowd attacking his home in Mamelodi township near Pretoria. More than 800 people have died in unrest in the past 13 months.

The report of the two deaths coincided with a commentary on state radio defending plans to nearly double the size of the police force

by enlisting nearly 40,000 more members by 1995.

The radio commentary, reflecting official thinking, said the increase could reduce the amount of force that police had to use to control unrest.

The government called in the army in October last year to help control the unrest. But senior policemen privately expressed reservations over the use in volatile black townships of young army conscripts.

In Cape Town, Winnie Mandela, the black nationalist leader who has been given a deadline of next Friday to return to internal exile or face possible arrest, vowed that she would defy Pretoria.

Mrs. Mandela is in Cape Town, to be with her husband, Nelson,

who has been in jail for more than 20 years for sabotage. He is in a hospital, under heavy guard, recovering from prostate surgery.

Mrs. Mandela said her husband, a founder of the outlawed African National Congress that is waging a guerrilla war against white rule, was recovering.

**New Zealand Sets Sanctions**

New Zealand said Tuesday that it would impose sanctions against South Africa in accord with a Commonwealth agreement reached last month to bring pressure on Pretoria to end its system of racial separation, Agence France-Presse reported from Wellington.

David Lange, who is prime minister and foreign minister, announced a ban on the import of kruggerand gold coins and of South

African arms, ammunition and military vehicles, as well as on the sale and re-export of computer equipment to Pretoria.

The measures taken by New Zealand included instructions to the state-owned Export Guarantee Corp. not to guarantee export commitments for new business with South Africa.

Mr. Lange said that New Zealand did not have much trade with South Africa.

Referring to the cancellation in Pretoria of a tour of South Africa by the New Zealand All Blacks rugby team, Mr. Lange said, "We have our distinctive role. We have discharged it on sporting contacts."

"Those with economic clout have their responsibility now," he added.

## 18 Removed In Shake-Up In Poland

(Continued from Page 1)

foreign minister, Stefan Orzechowski, 55, a political veteran who was considered a leader of hard-line opposition to General Jaruzelski within the government and the Communist Party.

Mr. Orzechowski, who was removed from the ruling party Politburo on Monday, appeared to have been at least temporarily eliminated as a political factor in Poland after 15 years near the center of power, despite reportedly strong connections to Moscow.

Mr. Orzechowski was replaced as foreign minister by Marian Orzechowski, 54, a former Communist Party Central Committee secretary, university rector, and alternate member of the Politburo since 1983.

Political sources said Mr. Orzechowski appeared to be a loyal follower of General Jaruzelski without a strong political profile of his own.

General Jaruzelski's apparent success in eliminating Mr. Orzechowski as a potential rival was balanced by the demotion of Mieczyslaw Rakowski, a close advisor to the general who was removed as a deputy prime minister. Mr. Ra-



Marian Orzechowski

kowski, long considered a leader of liberal activists in the Communist Party, will now head an economic advisory council of the parliament that government officials said would be reorganized and strengthened.

In addition to Mr. Rakowski, four other deputy prime ministers were removed from their posts, leaving only two members of the nine-member Presidium in their posts along with Mr. Messner. He was promoted to replace General Jaruzelski as prime minister last week. Only three new deputy prime ministers were named, increasing Communist Party domination of the presidium.

## General Tries to Seize Power In Liberia; Outcome Unclear

(Continued from Page 1)

rebels and a loyalist soldier had been killed in the fighting.

A dusk-to-dawn curfew has been ordered in Monrovia, and Liberia's land borders, along with the international airport, have been closed.

The U.S. official, who did not want to be identified, said that General Quiwonkpa appeared to have gained control of most of Liberia's 5,000-member army.

General Doe, he said, had control of the 200-man executive mansion guard and the army's 1st Battalion, a force of 380 men that is led by Mr. Doe's cousin, Colonel Moses Wright. The 1st Battalion is based about 17 miles (27.5 kilometers) south of Monrovia. Most of the soldiers loyal to General Doe, the official said, were members of his minority Krahn tribal group.

The U.S. government, long the major benefactor of the nation founded in 1847 by freed American slaves, has about \$450 million of investments in Liberia, including a Voice of America transmission center that broadcasts to all of Africa. None of the 3,500 U.S. nationals in Liberia was reported injured in Tuesday's fighting.

In the recent election, the government said that Mr. Doe had garnered 58.9 percent of the vote. But unofficial counts, confirmed by Western diplomats, showed that Mr. Doe probably received about 25 percent of the vote and that the presidency was won by the candidate of the opposition Liberian Action Party, Jackson F. Doe. He is no relation to the president-elect.

The Liberian Action Party, along with the other opposition parties in the election, called Mr. Doe's vic-

tory a sham and refused to participate in his government. The U.S. government is bound by Congress to withhold this year's \$86 million in aid if last month's election was not found to be "free and fair." The State Department has not yet made that determination.

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## Hong Kong's Example Inspiring to Guangzhou

(Continued from Page 1)

the city's young, and despite a mid-summer crackdown there still are plenty of wagers being laid over the green baize.

For those bored with the crack of billiard balls there are other opportunities to chance one's money in the street, on finger-guessing or hoop-throwing or Chinese chess.

Over at the Beicheng Hotel, and at other hotels patronized by Chinese visitors from other parts of Asia, a less innocent form of entertainment has sprung up around the stream of young women, mostly from cities of the north, who come south with their evening dresses and high-heeled shoes in the hope of cashing in on Guangzhou's boom.

Along with the prostitution and gambling, there has sprung up a thriving trade in smuggled antiques, including valuable burial objects illicitly unearthed from ancient tombs.

So many of these have reached the auction houses of the world this year that prices on some items have tumbled, prompting prominent dealers to appeal to Beijing for heightened vigilance. Despite nearly 300,000 smugglers' arrests in Guangdong province from 1981 to 1984, the trade continues.

Officials at the mock Ming palace that serves as a city hall acknowledge that carrying out Deng Xiaoping's wide-ranging program of change has given rise to some "unwanted social phenomena."

The Guangzhou people are renowned throughout the world for their business acumen, and the ones who stayed behind proved no exception.

According to Wang Yegun, director of the structural reform office in the city government, there has been an 87-percent increase in the value

## American Express Opens a Service Office in Beijing

(Continued from Page 1)

BEIJING — American Express opened an office here Tuesday to promote its credit card, travelers' checks and tour operation in China.

The company expects that eventually the Chinese will carry credit cards, although there have been no discussions so far, said the company's president, Louis V. Gersinger Jr.

The office initially will help card holders to cash checks rapidly at the Bank of China, replace lost or stolen cards, and advise travelers, he said.

of the city's total output from 1978 to 1984.

The city's biggest department store, Nanfang Daxia, has gone from carrying 6,000 varieties of goods to more than 30,000. From zero in 1978, there are now more than 35,000 private businesses, double the number two years ago.

On side streets, block after block is lined with private stalls selling clothes, stir-fried food and household commodities. Competition has cut profits of state stores, but Mr. Wang, for one, welcomes it.

Perhaps the most intriguing bazaar in all of China is the Qingming market, across a bridge from Shamen Island, where 50,000 customers a day jostle along a narrow maze of streets. Here you can haggle for a Qing Dynasty plate or a turtle brew that will cure your rheumatism or a monkey, frog or baby eagle.

sembly on Friday, allocates about a third of total French military spending to nuclear weapons.

While the budget referred to items already on a five-year procurement plan adopted in 1983, Mr. Quilès listed several other objectives, including two nuclear submarines in addition to the seven already in the five-year plan.

Mr. Quilès said that the new generation of submarines would be in service by 1994.

He said that he had set that year as the target for developing a miniaturized nuclear warhead which would presumably be installed in the new submarines.

## France to Build New Nuclear Arms

(Continued from Page 1)

who was blamed in the sinking by French agents of a ship belonging to the Greenpeace environmentalist movement.

His speech was seen in Paris as part of an effort to return the Defense Ministry to its normal concerns.

The U.S. space research program has prompted at least two major French initiatives.

The first is a scheme, announced several months ago by President François Mitterrand, calling for a program of cooperation among European countries to develop new technologies.

The program, called Eureka, is aimed, French officials have said, at preventing Europe from falling behind the technological advances likely to come from the SDI program.

At a conference in Hannover, West Germany, last week, 18 European countries agreed to support the first 10 Eureka research projects.

Mr. Quilès's speech revealed a second element of the French response, developing nuclear weapons capable of penetrating likely new defenses. A military budget of roughly \$20 billion for next year, passed by the French National As-

sembly on Friday, allocates about a third of total French military spending to nuclear weapons.

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## INTERNATIONAL

REAL ESTATE FOR SALE

SWITZERLAND

SUNNY SOUTHERN SWITZERLAND

LAKE LUGANO

Lakeside apartment in a large

household park with 17,000 sqm, private

area, swimming pool, private tennis,

private beach, 1st quality apartment

80 sqm., 100 sqm., 120 sqm., 140

sqm., 160 sqm., 180 sqm., 200

sqm., 220 sqm., 240 sqm., 260

sqm., 280 sqm., 300 sqm., 320

sqm., 340 sqm., 360 sqm., 380

sqm., 400 sqm., 420 sqm., 440

sqm., 460 sqm., 480 sqm., 500

sqm., 520 sqm., 540 sqm., 560

sqm., 580 sqm., 600 sqm., 620

sqm., 640 sqm., 660 sqm., 680

sqm., 700 sqm., 720 sqm., 740

sqm., 760 sqm., 780 sqm., 800

sqm., 820 sqm., 840 sqm., 860

sqm., 880 sqm., 900 sqm., 920

sqm., 940 sqm., 960 sqm., 980

sqm., 1000 sqm., 1020 sqm., 1040

sqm., 1060 sqm., 1080 sqm., 1100

sqm., 1120 sqm., 1140 sqm., 1160

sqm., 1180 sqm., 1200 sqm., 1220

sqm., 1240 sqm., 1260 sqm., 1280

sqm., 1300 sqm., 1320 sqm., 1340

sqm., 1360 sqm., 1380 sqm., 1400

sqm., 1420 sqm., 1440 sqm., 1460

sqm., 1480 sqm., 1500 sqm., 1520

sqm., 1540 sqm., 1560 sqm., 1580

sqm., 1600 sqm., 1620 sqm., 1640

sqm., 1660 sqm., 1680 sqm., 1700

sqm., 1720 sqm., 1740 sqm., 1760

sqm., 1780 sqm., 1800 sqm., 1820

sqm., 1840 sqm., 1860 sqm., 1880

sqm., 1900 sqm., 1920 sqm., 1940

sqm., 1960 sqm., 1980 sqm., 2000

sqm., 2020 sqm., 2040 sqm., 2060

sqm., 2080 sqm., 2100 sqm., 2120

sqm., 2140 sqm., 2160 sqm., 2180

sqm., 2200 sqm., 2220 sqm., 2240

sqm., 2260 sqm., 2280 sqm., 2300

sqm., 2320 sqm., 2340 sqm., 2360

sqm., 2380 sqm., 2400 sqm., 2420

sqm., 2440 sqm., 2460 sqm., 2480

sqm., 2500 sqm., 2520 sqm., 2540

sqm., 2560 sqm., 2580 sqm., 2600

sqm., 2620 sqm., 2640 sqm., 2660

sqm., 2680 sqm., 2700 sqm., 2720

sqm., 2740 sqm., 2760 sqm., 2780

sqm., 2800 sqm., 2820 sqm., 2840

sqm., 2860 sqm., 2880 sqm., 2900

sqm., 2920 sqm., 2940 sqm., 2960

sqm., 2980 sqm., 3000 sqm., 3020

sqm., 3040 sqm., 3060 sqm., 3080

sqm., 3100 sqm., 3120 sqm., 3140

sqm., 3160 sqm., 3180 sqm., 3200

sqm., 3220 sqm., 3240 sqm., 3260

sqm., 3280 sqm., 3300 sqm., 3320

sqm., 3340 sqm., 3360 sqm., 3380

sqm., 3400 sqm., 3420 sqm., 3440

sqm., 3460 sqm., 3480 sqm., 3500

sqm., 3520 sqm., 3540 sqm., 3560

sqm., 3580 sqm., 3600 sqm., 3620

sqm., 3640 sqm., 3660 sqm., 3680

sqm., 3700 sqm., 3720 sqm., 3740

sqm., 3760 sqm., 3780 sqm., 3800

sqm., 3820 sqm., 3840 sqm., 3860

sqm., 3880 sqm., 3900 sqm., 3920

sqm., 3940 sqm., 3960 sqm., 3980

sqm., 4000 sqm., 4020 sqm., 4040

sqm., 4060 sqm., 4080 sqm., 4100

sqm., 4120 sqm., 4140 sqm., 4160

sqm., 4180 sqm., 4200 sqm., 4220

sqm., 4240 sqm., 4260 sqm., 4280

sqm., 4300 sqm., 4320 sqm., 4340

sqm., 4360 sqm., 4380 sqm., 4400

sqm., 4420 sqm., 4440 sqm., 4460

sqm., 4480 sqm., 4500 sqm., 4520

sqm., 4540 sqm., 4560 sqm., 4580

sqm., 4600 sqm., 4620 sqm., 4640

sqm., 4660 sqm., 4680 sqm., 4700

sqm., 4720 sqm., 4740 sqm., 4760

sqm., 4780 sqm., 4800 sqm., 4820

sqm., 4840 sqm., 4860 sqm., 4880

sqm., 4900 sqm., 4920 sqm., 4940

sqm., 4960 sqm., 4980 sqm., 5000

sqm., 5020 sqm., 5040 sqm., 5060

sqm., 5080 sqm., 5100 sqm., 5120

sqm., 5140 sqm., 5160 sqm., 5180

sqm., 5200 sqm., 5220 sqm., 5240

sqm., 5260 sqm., 5280 sqm., 5300

sqm., 5320 sqm., 5340 sqm., 5360

sqm., 5380 sqm., 5400 sqm., 5420

sqm., 5440 sqm., 5460 sqm., 5480

sqm., 5500 sqm., 5520 sqm., 5540

sqm., 5560 sqm., 5580 sqm., 5600

sqm., 5620 sqm., 5640 sqm., 5660

sqm., 5680 sqm., 5700 sqm., 5720

sqm., 5740 sqm., 5760 sqm., 5780

sqm., 5800 sqm., 5820 sqm., 5840

(Continued from Back Page)



## INSIGHTS

## Russians' View of America: A Filter of Hearsay, Rumor and Classics

By Serge Schmemmann

New York Times Service

MOSCOW — Russians often seem to think of America in terms of opposites. There are greedy millionaires and the penniless homeless. There are the whites who have cars, personal computers and suburban homes, and there are the oppressed blacks. There are the militaristic and callous ruling circles led by President Ronald Reagan and "the monopolies," and there are the good, industrious American people. America is a land of plenty and a land of violence, a land of extreme wealth and abject poverty.

Sometimes, the stereotypes are as simplistic as the view of many Americans that the Soviet Union is exclusively a land of repressed dissidents and oppressive Communists. Sometimes, however, the images are complex and nuanced, drawing on a broad range of films and books, although the literature and films that are made available in the Soviet Union are carefully selected to give an ideologically correct image of America, or at least one that does not contradict the Kremlin's official line.

In addition, hearsay and rumor play a big role in a society whose official information is controlled and suspect, a society in which Western publications are available only to senior officials, researchers and journalists who have a demonstrable need to read them.

However they have come by their perceptions, including their carefully controlled textbooks, here are some of the images described by Russians of various ages and backgrounds who were selected at random and asked in an informal survey to tell what came to their minds when they heard the words "United States."

• A 26-year-old Russian recalled a photograph of Manhattan from the air: "That's how I imagine it," he wrote. "A forest of skyscrapers. Streets illuminated by billboards, clogged with demonstrators holding placards, who are being chased by police in bulletproof vests. Cars racing down broad highways between swollen fields and farms."

• A man of 60 who claimed a lifelong fascination with the United States said: "I think of a great country, of her massive industrial might, her rockets and atomic bombs, her energetic people, who blend all races and nations, her extremely complex and, to my mind, antiquated system of government."

• A Muscovite of 47 wrote: "Giant sequoias, a dazzling limousine gliding among them, the surf, the Golden Gate Bridge in Frisco, the immortal Ella Fitzgerald, the images were 'prairies, Thoreau (this 'Walden'), Hollywood, Kennedy and Dallas, jazz, whites and Negroes.' Another Russian cited cars, billboards, suburbs and 'lots of unemployed.'"

The questions, based on those used in a Times poll of Americans, were presented to about 30 Russians either directly or through friends, since wariness of foreigners tends to produce fairly formal replies to a foreign correspondent.

The respondents were promised anonymity, to assure they would not be intimidated. In addition, I talked to knowledgeable Russians about how they thought Russians generally might respond. While there are public-opinion polls in the Soviet Union, few are ever published, and it is doubtful that any are conducted that ask such questions as "What do you think of Americans?" More likely, they ask people how they feel about such things as transportation and retail trade.

The briefest response to my inquiries was signed "Under 33." It said simply: "Superb roads, clean toilets, businesslike people and well-dressed women."

THE most common sources for perceptions of the United States cited by most of the respondents were officially permitted books, followed by films. Everybody had grown up on Huckleberry Finn and Jack London's "White Fang," and to this day, Russians get a thrill recalling Yul Brynner's fast draw in "The Magnificent Seven."

"It would not be an exaggeration to say that in childhood we all were reared on American adventure literature—James Fenimore Cooper, Jack London, Edgar Allan Poe, Mark Twain, O. Henry—a whole constellation of names," wrote a Russian in his 30s. "All subsequent attitudes toward Americans are bent through this prism—not consciously, of course. Every person looks at the world in his own way, but we all played at cowboys and Indians in our childhood."

And of course there is American pop culture. "Those who are today in their 20s and 30s," wrote a man of that generation, "passed their whole adolescence in the belief that to have something American was the highest chic—American jeans, American rock, American chewing gum."

None of the respondents had been to the United States, and their images were a pastiche of a land glimpsed dimly from a distance—romantic vistas and homeless people, dazzling culture and broad highways, demonstrators and jazz.

There were curious omissions. Though some talked of the homeless and unemployed, and some seemed sympathetic, even warm, toward Americans, none talked about American democracy or civil rights, and those who bothered to talk about official U.S. policies seemed uniformly critical.

From these and many other interviews, books and articles there emerges a pattern of images and preconceptions about America and Americans, often contradictory and complex, that derives both from the Russian character and from the way an enormously curious people, denied direct contact and information, forms its views of a distant land.

For many Russians, especially the intelligentsia, it is culture above all that seems to define their America. Rare is the Russian who was not reared on "The Dersky" and "The Adventures of Tom Sawyer," who is not familiar with "The Catcher in the Rye," Ernest Hemingway, William Faulkner and John Steinbeck.

Classics and contemporary American literature are a mainstay of the Soviet reading diet, either through dog-eared copies or through translations in the enormously popular monthly journal, Foreign Literature. Russian readers are familiar with Theodore Dreiser, Erskine Caldwell, Sinclair Lewis, John Updike, Kurt Vonnegut, Gore Vidal, Isaac Asimov and Arthur Hailey. The books chosen for Russian translation usually are heavy with social criticism.

Then there is the enormous popularity of American jazz, rock, film and theater. Benny Goodman's triumphant 1962 tour is still recalled as a milestone in Soviet music. Movies ranging from "They Shoot Horses, Don't They?" to "Kramer vs. Kramer" and "Tootsie" to "Porgy and Bess" are shown in the repertoires of Moscow theaters, and not long ago "Porgy and Bess" was spotted in the repertoire of the theater in Yakutsk, in remotest Siberia.

One film cited by many Russians as a major source of their impressions of America is Charles Chaplin's "City Lights," which depicts



Russians line up to buy Pepsi-Cola on a Moscow street.

"We fear you. This distorts our fascination with the United States. It is simply impossible to bypass the reality that you can annihilate us. This is always present, in any discussion."

Melior Sturma, an Izvestia commentator on U.S. affairs.

an America of malevolent tycoons and oppressed workers. The Soviet-selected American entry in the feature-film category at the Moscow Film Festival last summer was "A Soldier's Story," about racial conflicts in the U.S. Army.

In addition to the selective importing of specific books and films, there is a long history of official opposition—usually futile—to more general American influences that are felt to be ideologically dangerous, such as jazz, rock and even jeans. Senior ideologues still write occasional diatribes against the hostile influence of Western pop culture.

One knowledgeable Russian, who was a member of the Communist Party at the time, recalls the anxious party meetings called in the early 1960s to consider measures against the runaway popularity of "The Magnificent Seven," which was deemed to give too heroic and attractive an image of Americans. That film was not banned, but it led to the end of the importing of American westerns for the average comrade, although Leonid I. Brezhnev was reputed to have a weakness for cowboy movies and to watch them in the privacy of his official dacha.

BYOND the books, films and music, the sources of Russians' perceptions grow hazier. Many images, like those of car-clogged highways and crowds of people walking briskly through streets, seem to come from the Russians' practice of watching television news not for the news, but for glimpses of distant and unknown places behind the foreign correspondents, who generally choose pretty scenes as backgrounds for their reports. "Television could teach us so much more," wrote a middle-aged Moscow woman, "but still I really like the American backgrounds against which our correspondents talk—the streams of cars flowing down real streets, the throngs of unfamiliar people flowing with their own thoughts."

Since hearsay and rumor are important in the education of a people whose access to solid information is sharply restricted, legends about America brought back by travelers spread rapidly, mingling with images of American tourists and chance contacts with American residents in Moscow.

In recent years, the émigré Soviet Jews in Brighton Beach in Brooklyn, New York, have supplied a whole new body of lore. Their books and letters and cassette filter back by various means, including tourists from America and sometimes through the mail, and every hip Muscovite knows the boozey, raspy voice of Willy Tokarev, an émigré who sings of Manhattan from the vantage of a cynical, profane night-shift cabdriver and sometime thief. His songs, "Big Apple," "Skyscrapers, Skyscrapers" and "Over the Hudson," on poorly copied cassettes rasp from many a Moscow taxi or kitchen window.

"In Central Park, as in the gardens of Semiramis, The marvels are beyond description. I only know you have no business there at night. Pop in, and that's all the New York you'll ever see."

Soviet perceptions of America are for the most part as young as the Soviet state. Before this century, at least from the time of Peter the Great, the Russian elite identified with Europe, and France seems to have been the source of language and style. But they imagined the United States, if they thought about it at all, as a wild and woolly land of cowboys and Indians.

There are few Americans in prerevolutionary Russian literature, and America itself is mentioned in novels usually only as an exotic and distant place to which characters like Dostoevsky's Dmitri Karamazov or Tolstoy's Stiva Oblonsky threaten to run in moments of extreme despair.

It was after the Bolshevik Revolution and the aftermath of World War I that an image of an industrial, capitalist, powerful America began

to take shape. The United States was the industrial model that the young socialist state planned to match and surpass, and it was the major force in the doomed and rotting world that communism promised to supplant.

The first images of America to gain wide dissemination in the Soviet Union—ones that survive to this day—were created by Soviet poets and writers who traveled to the United States. Works such as Vladimir Mayakovsky's "My Discovery of America," first published in 1926; Maxim Gorky's "The City of the Yellow Devil" (1906) and Ilya Ilf and Yevgeny Petrov's "One-Storey America" (1936) supplied the pioneering pictures of rapacious monopolists and soaring skyscrapers, industrial workers and thrashing factories, millionaires and beggars. They became a source of indelible first images against which all subsequent perceptions have been tested.

Gorky's polemical tract (the yellow devil was gold, of course), which developed out of a trip to the United States early in the century to stir up revolutionary support, was a beginning effort in the genre of bloated capitalist versus oppressed worker.

Ilf and Petrov's "One-Storey America," by contrast, was an enormously popular, although somewhat superficial, tour of the United States conducted by the Soviet Union's all-time favorite comic writers. Ilf and Petrov crisscrossed the United States and compiled a witty, mildly critical, but basically sympathetic catalogue of American types and peculiarities. If Gorky introduced the callous capitalist, then Ilf and Petrov gave shape to the image of the efficient, ultra-productive "Amerikansky businessman." It is a dual image that has persisted through innumerable updates and fine shifts to the present day.

Delovits—as a noun it means efficiency, industriousness; as an adjective it means businesslike—is the term for one image that is firmly wedded in the Soviet mind with American business. Stalin himself declared in 1924 that the Leninist approach to work was "to combine Russian revolutionary sweep with American delovits." During the heavily industrialized of the 1920s and 1930s, Russians like Vasili V. Kuznetsov, now 84 and the Soviet vice president, traveled to Detroit to absorb American technology and industrial techniques.

Today, West Germany and Japan have made considerable inroads into the American reputation for innovation, and Russians may think more in terms of "Western" than "American" technology. Yet delovits is still firmly associated with America, and one of the reasons for the acute fear of war with the United States is the common image of technological superman across the waters.

"In the U.S. you think you can find a technological solution to every problem," said Melior Sturma, a longtime writer on American affairs for the newspaper Izvestia. "Sometimes they think you can, too. In fact, Russians can't figure out why Americans have not cured cancer."

FOR the generation of Russians now over 50, the golden era of Soviet-American relations was World War II, the great patriotic war. The U.S. entry into the war seemed to many Russians to guarantee an early end to their long ordeal, and many fondly remember the tall, yellow cans of pork and the Studebaker trucks brought in under the lend-lease program.

Roy Medvedev, the dissident historian, recalls that "there was genuine good feeling among people, bordering on gratitude. I was a boy, and the Germans were moving east. They had seized the Ukraine, Byelorussia, the northern Caucasus. I was in Georgia and felt the threat. And suddenly the American Studebaker trucks began arriving—big, heavy trucks moving north—and we felt genuine strength on the move, a strength that would change things."

Pro-American feelings rose to a dramatic high on Victory Day in May 1945, when a crowd

converged on the U.S. Embassy, then near Red Square, in a mass demonstration of what George F. Kennan, then a diplomat in Moscow, called "almost delirious friendship." The wartime infatuation fizzled almost immediately after that, with the atomic bomb, the Cold War and Stalin's reimposition of harsh repression of those who had any dealings with foreigners. Spy mania became life, an official campaign was launched against "bowing low before foreigners," and it became dangerous even to show enthusiasm for things foreign.

In the years since, feelings toward America and Americans have ebbed and flowed with the tides of Soviet-American relations. Yet even in the low times, the longing for American culture has thrived.

Not surprisingly, one of the frequent questions in Moscow about the Soviet-American summit meeting next week is whether it might produce a new cultural agreement and renew the trickle of officially sponsored American cultural visits to the Soviet Union. The last exchange agreement lapsed at the end of 1979, and there have been no touring bands or orchestras or theater groups since, although there have been a few films, an occasional performer like John Denver and a handful of American contestants in ballet or music competitions.

The hunger for more exchanges was dramatized most recently at the Moscow Book Fair. Among the most sought-after items was a bilingual catalog of American books distributed by the Association of American Publishers. So great was the demand that in the closing days of the exhibition some uniformed police were called in, and the American organizers simply threw books into a forest of waiting hands.

Yet when one discusses their impressions of America with Russians, it soon becomes evident that something is missing. None list Abraham Lincoln, the Constitution, human rights, freedom or any other term that might reflect an appreciation of the American political system, of the values that Americans feel most distinguish them from the Russians.

One young Muscovite, who wrote excitedly in the informal survey about the allure of American culture, expressed considerably less enthusiasm for American politics: "When I try to analyze the general attitude among youth to America's domestic and foreign policies, then, despite the fuzziness and lack of clarity, I would still have to say that on the whole it is negative."

"Soviet youth," he continued, "cannot assess the merits of the American democratic political system—our propaganda is silent on this, and for an ordinary Soviet person to get a tourist or official trip to the USA is an unachievable dream. The flaws and misdoings of the American system, on the other hand, are immediately served up by Soviet propaganda. And, though Soviet youth people often treat these propaganda tricks skeptically, their effect is nonetheless great."

This attitude may come as something of a surprise to Americans accustomed to thinking of people in the Soviet Union as yearning to shed communism or escape to a free America. Some do, of course. But the fact is that in the popular Russian vision of the United States, democracy takes a distant back seat to the American novel, jazz, whiskey and business.

One reason, of course, is that very few Russians get to see the United States, and those who do are carefully selected for ideological trustworthiness. According to the State Department, the number of Soviet citizens who visited the United States in 1984 totaled 5,757, and of these only 1,743 were classified as tourists; the rest were primarily diplomats, businessmen and those connected with international organizations such as the International Monetary Fund.

But the major reason is that a Russian's view of the American way of life is shaped from childhood by official ideology, propaganda and double talk. Terms such as democracy, rights

and freedoms are so freely applied by the Kremlin to its own political system that the words become hollow. Typical was the occasion recently when Mikhail S. Gorbachev, the Soviet leader, declared, "If there is a country where political and other rights have been gained by Jews more than in ours, I would be very happy to hear about it. There is no place where they have more rights than in our country."

In grade school, Russians learn a history of the United States tailored to the tenets of Marxist ideology and the needs of the state. The denigration of the American system is relentlessly pursued in the press and on television.

An issue of Pravda, selected at random, was poured with vitriol on the United States, which was charged with everything from setting up labor camps for dissidents to complicity in the Israeli raid on Palestinian bases in Tunisia. On the same day, Tass, the Soviet press agency, accused Washington of "pursuing a policy of state-sponsored terrorism in international affairs" and waging "an all-out offensive at home on basic human rights." Officials in Washington, Tass added, "evade giving a straight answer to the question on the number of political prisoners in the United States."

Uncle Sam is lampooned almost daily in the press as a fiendish charlatan guiding one global atrocity or another. The themes of repressed blacks, unemployment and the homeless are relentlessly repeated, and American statements or positions are ignored, distorted or miscast.

FEW Russians, of course, take this stuff seriously. The art of reading between the lines is as old as manipulated information, and the clumsy propaganda often ends up as a grist for the renowned Soviet political joke. There's the one that asks, "What is the difference between the Soviet Constitution and the American Constitution?" Reply: "The Soviet Constitution guarantees freedom of speech and freedom of gathering. The American Constitution guarantees freedom after speech and freedom after gathering."

Or there's the old one about an American and a Russian debating who has more freedom. The American says: "I can walk in front of the White House and shout 'Down with Reagan,' and nothing will happen to me." The Russian retorts: "I can walk in front of the Kremlin and yell 'Down with Reagan,' too, and nothing will happen to me, either."

Yet the steady flow of half-truths and lies, backed by the rigorous control of all other sources of information, does take a toll. The images of poverty and racial oppression take hold, while the dimly perceived concepts of rights and freedoms blend with their own country's excluded almost entirely from the secretive political processes of their own country. Russians acquire little experience against which to assess political democracy in the West. Most of them come to agree vaguely with the fundamental tenet of Marxist ideology, which holds that while capitalist "ruling circles" are bad, the people are good.

Even to Russians who understand its basic workings, the American political system often seems contradictory, unwieldy and disorderly. To Soviet eyes, the public wrangling among officials of the same administration in Washington, the harsh accusations of competing politicians, the demonstrations and strikes—all these merge with reports of rampant crime and violence to create a frightening image of discord and chaos.

Russians set great store by order and a single governing voice in their own society, perhaps because they fear that without it they would face anarchy and chaos. The portraits of Stalin that still grace many truck windows speak of a nostalgia for a strong master, *Khozynin*, and Mr. Gorbachev's crackdown on drinking, for all the grumbling about the waiting line that resulted when liquor stores curtailed their hours, is the type of move most Russians understand and support.

What emerges from Russians' accounts of their impressions of America is a contradictory image of a land both alluring and threatening. Yet however ambivalent the image of America, wherever the political winds are blowing, whatever the inroads of Japan or West Germany into America's reputation for technological might, the United States has always had a unique and powerful place in Soviet perceptions.

From the time of the Bolshevik Revolution in 1917, Russians have perceived the United States as their main rival and main model. It is a nation with which they have felt a kinship in size, breadth and might, and Americans are a people with whom the Russians have perceived themselves twinned by history, rivalry, even by the "mutual assured destruction" of nuclear power.

Reared on James Fenimore Cooper's romantic frontier, Jack London's wild North and Mark Twain's broad Midwest, Russians discern echoes of American legends in their own land. In the American frontier they see their own Siberia, in the Midwest they recognize their own great rivers and steppes and in the melting pot of their own multinational state.

But from the enormous differences in the social organization and development of two such kindred lands, they conclude that the Russians and Americans must be diametrically opposed peoples. The image that develops is of Americans as industrious, practical, businesslike and of Russians as custodians of a legendary "soul."

The poet Andrei Voznesensky once spoke of the two peoples as two halves of the brain—Americans are reasonable and industrious, Russians are intuitive and subjective. "Americans translate emotion into concrete action," he said. "Confronted with tragedy, a Russian will embrace, weep, kiss, spend the night. An American will write a check."

However they formulate the similarities and differences, the point is that the United States is the other big power. China may be mysterious and threatening, Western Europe may be enticing and netlessome, the Third World may be rich in opportunity and risk. But ultimately the Russian's view of the world is bipolar, and the other side is America, rich, contradictory, big, powerful, dazzling, dangerous.

Nikita S. Khrushchev expressed the feeling in his memoirs when he described his emotions on approaching the United States for the first time: "It wouldn't be my first trip abroad. After all, I'd been to England, Switzerland, France, India, Indonesia, Burma and so on. These were all foreign countries, but they weren't America. America occupied a special position in our thinking and our view of the world. And why shouldn't it? It was our strongest opponent among the capitalist countries; the leader that called the tune of anti-Sovietism for the rest."

Yet the feeling is usually not as hostile as Khrushchev might have wanted to make it sound. More often the opposite is the case. "The basic difference between us," maintains Mr. Voznesensky, "is that Russians like Americans." He is voicing a common assumption among Russians: that their fundamental sympathy and respect for Americans is not reciprocated, that many Americans nurture an irrational hostility for the Soviet Union.

The Soviet sympathy is often tangible. American visitors frequently remark that in a roomful of foreigners, they seem to be the biggest attraction, the most honored guests. To announce *Ya Amerikants* (I'm an American) is often enough to provoke even ordinary Russians into protestations of peaceful intentions and hatred of war.

HOSTILE receptions are virtually unknown; on the contrary, Russians often joke that the Soviet Union is the last bastion of pro-Americanism in the world. "Having lived on earth more than half a century," wrote a Moscow woman, "I have never heard an unfriendly word spoken by Russians in respect to American people."

But Russian feelings about Americans do have their dark side, in the fears and suspicions nurtured by propaganda, by the nuclear threat and more deeply by the inherent Russian distrust of foreigners.

"The Russian psychology is quite fascinating," said Mr. Sturma, of Izvestia. "We are fascinated by your technology and culture. But at the same time we know you are our main adversary. We fear you. This fact, that we are afraid of you as you are afraid of us, distorts our fascination with the United States. It is simply impossible to bypass the reality that you can annihilate us. This is always present, in any discussion."

This fear of war with the United States is often strikingly real, especially among older people, who on meeting Americans earnestly try to convince them that the Soviet Union does not want war, and who seem certain that President Reagan does. At times, the protestations pass into aggressiveness, and the same Russian who has been voicing his hatred of war may abruptly warn that if conflict does break out, the Soviet Union will surely teach the United States a lesson.

Russians presume, usually correctly, that Americans do not appreciate how terribly the Soviet Union suffered in World War II, and that Americans, with their limited exposure, do not fully understand the horrors of war. But underlying much of the dark side of Soviet feelings about America is a suspiciousness, a collective insecurity that still lurks in all Soviet attitudes toward the world outside its "sacred borders."

It is evident in the extraordinary security in which the Soviet Union wraps itself, in the instinctive action against the Korean jetliner, in the obsession with espionage, in the control and surveillance of foreigners, in the stringent restrictions on all foreign sources of information.

Things may not be as terrible as they were in Stalin's day, when an accidental meeting with a foreigner could lead to a labor camp. But contact with foreigners and the outside world still remains a carefully and stingily rationed privilege, and unmentioned dealings are risky. Foreigners in Moscow remain segregated in carefully guarded compounds under intensive surveillance, barred from vast swatches of Soviet territory.

The press and television regularly carry horror stories about perfidious foreigners who are provocateurs, spies or worse, and Soviet ideologues inveigh against rock music, Western fashions and current fads as "diversions" concocted by "Western special services." The Voice of America, which was allowed briefly to broadcast untrammeled during the years of *détente*, has been jammed again since 1980. Western journals and newspapers, of course, cannot be read by the general public.

The list is long and familiar. What is less known, however, is the effect of all this on Russian perceptions of the world. An inevitable result is that the outside world takes on the aura of a forbidden fruit: dangerous, but so very enticing. The chic of wearing a T-shirt with an American logo is enhanced by the element of defiance, and American jeans are infinitely preferable to say, Czechoslovak jeans, precisely because they come from the "other side."

Another result is that Russians themselves come to treat contacts with foreigners as somehow illicit. Friends of mine who want to take me along to somebody else's party often urge me to say "I'm from Estonia" or somewhere like that. Otherwise they'll get all uptight."

The suspiciousness seems to emanate from a collective sense of insecurity about the outside world, one that manifests itself in shrill Soviet demands to be recognized as equal, particularly by the United States. Even educated Russians who have extensive contacts with foreigners often have difficulty understanding why the propaganda in Pravda, or the treatment of the dissident physicist Andrei D. Sakharov, or the bland dismissal of the Stalin era as a "cult of personality," or the closed borders, or the proliferation of Soviet spies the world over—why any of this can or should affect the way Americans feel about Russians.

Raising subjects such as dissidents at a meeting with Soviet officials is often viewed as a deliberate provocation. That was Mr. Gorbachev's instant reaction when questioned recently about human rights by French interviewers. The issue, he said, was being "artificially played up by Western propaganda and exploited to poison relations between nations and states."

Ordinary Russians feel they have no control over such matters, just as they have no direct input into their domestic political processes, and therefore they feel no responsibility. In the relativist view nurtured by Soviet propaganda, a Russian might retort that America, too, has its oppressed blacks and its homeless, so why dwell on such problems?

It is hardly surprising, then, that Russians have difficulty appreciating Western reservations about the Soviet system, or understanding that the Western approach may be qualitatively different.

Russians often maintain, in fact, that they know and understand the United States better than Americans understand them, and that Americans labor under an irrational distrust of the Soviet Union.

"Despite the so-called freedom of the press, your people know less about our country than we know about yours," Mr. Sturma said. "Of course, everybody in the U.S. has the opportunity to read Pravda. But probably more people read The New York Times in Moscow than read Pravda in the United States."

Russians cite the voluminous body of literature and culture they have absorbed, the admiration for American delovits, the absence of anti-American feelings among Russians. This they compare to the anti-Soviet sentiments they believe are prevalent in the United States, to the ignorance they sense among Americans about the Soviet way of life, about the Soviet experience in World War II, and to Washington's refusal to accept the Soviet Union as an equal power.

They feel slighted and even threatened by films like Sylvester Stallone's "Rambo," with its massacres of Soviet soldiers, or books like "Gorky Park" (neither of which are available in the Soviet Union), which they deem an unfair and inaccurate portrayal of Soviet reality.

"Maybe we don't understand America, but we don't misunderstand it," said Mr. Sturma. "You misunderstand us, and this can be dangerous."

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ARTS / LEISURE

# Monty Alexander: Serious About Joy

By Michael Zwerin  
International Herald Tribune

PARIS — Monty Alexander does not play piano with his toes. He has invented no electronic hardware, no new style, has not opened any new markets nor broken any sales records. He's just good news. "I want my music to bring joy because making it is a pleasure that has been given to me," he said, with a Jamaican lilt. "I want people to have a good time even if they do not understand the nuances of musical technique." He is serious about joy, and his playing combines emotion and intellect, devotion and humor, sensitivity and power and tradition and adventure.

When he was a child in Kingston, where he was born 41 years ago, his piano teacher kept telling him not to tap his feet. That is one of the first things classical teachers teach. Tapping feet interfere with strict tempo. But Alexander was already moving to the looser beat he heard on the radio. It was called calypso: "Little folksy old-time tunes before Belafonte and the Andrews Sisters." His teacher sat there eating biscuits, rapping his knuckles whenever calypso crept into Chopin, which was more and more often.

In high school he had a sax band that worked "jump up" dances. "Every dance was a carnival," he said. "They always ended in a mad frenzy. What fun." Sometimes he worked with the legendary ska trombonist Don Drummond, who led the seminal "Skatalites," a band that had a lot of influence on Bob Marley and other reggae stars. Alexander recalled that Drummond played with "lots of guts, but he murdered his sweetness—she was a shake dancer—and he died in prison after a long mental illness."

Alexander has had trouble coping with the seamy side of the music business. Recently he stopped performing for more than a year. "I couldn't handle all the B.S. A lot of people take advantage of musi-

cians. But I decided finally to just be myself, and I learned how to put a little English on it." By the age of 14, he wanted to make as many feet tap as possible. The rhythm and blues of Bull Moose Jackson and Bill Doggett, which he caught over radio station WINZ from Miami, made him want to jump up. And he liked Sugar Chile Robinson, "this little black kid I'd see in movies Saturday mornings. The kid's feet could hardly reach the pedals but he played incredible boogie woogie. I tried to make my left hand move as fast as Sugar Chile Robinson and maybe that's why I have a pretty fast left hand."

After he saw Louis Armstrong in the movie "High Society," he heard the word "jazz" for the first time. "That guy was having such a ball up there, I knew that was the music I wanted to make," he said to himself. "Man, this is too much happiness to miss out on."

His parents separated when he was 17, and he moved to Miami with his mother. He listened to the recordings of Ahmad Jamal, Eddie Heywood and Errol Garner, while working segregated downtown clubs like the Sir John and the Harlem Square with Sam Jones, Mitch Robinson, Johnny Burdine and the other fine black players around town at the time.

His mother was black, his father white. This had been no problem in Jamaica and he just decided not to make it a problem in Miami. "I'm a positive cat. I didn't feel the necessity to make a choice. Whatever I am or am not, that's where I learned how to play jazz."

During the season he would accompany singers and comedians on Miami Beach. One night, he was working with Duke Hazlit, who had made a career out of imitating Frank Sinatra, when Sinatra came in with his friend Jilly Rizzo. Rizzo owned a popular showbiz hangout in the New York theater district. Sinatra convinced his friend to hire



Monty Alexander: Avoiding treacherous waters.

Alexander, who worked Jilly's with his trio for six years.

He has never had to look for work since. "If my agent doesn't get me a gig I just pick up the phone and get one myself. I've made 35 albums as a leader so there's never been any want in that department. I guess you could call me together. I've always avoided treacherous waters. I don't understand how people can get up and play and be half as much as they are by being zonked out. It's the plague. It's killing us. Drugging has got to go down. I've seen some people I care about fall victim to that. I try to cultivate the positive side, and I surround myself with people who have a similar set of priorities. I think a lot of my success has to do

with attitude. I'm no prude, but you have to give yourself your best shot. I am very proud to be able to share my joy."

All this may sound rather corny to anyone who has never heard Monty Alexander. He is, however, simply stating fact: "I can't think of anything I'd rather do than get up on a bandstand and picnic. No speeches, no stories, no jokes. Let's just get a groove. Boom!"

Monty Alexander, with the Philip Morris "Superband," Paris (El Dorado) Nov. 13; Brussels Nov. 14; Lausanne Nov. 15; London Nov. 16; The Hague Nov. 17; Antwerp, Belgium Nov. 19; Lisbon Nov. 22; Munich Nov. 24; Frankfurt Nov. 25; Barcelona Nov. 27; Madrid Nov. 28; Milan Nov. 30.

# 'Great White Hope': Impressive London Premiere

By Michael Billington  
LONDON — Howard Sackler's "The Great White Hope" was a huge success on Broadway in 1968, with James Earl Jones giving an acclaimed performance. Now, to the shame of West End managements, the play is finally getting its

## THE BRITISH STAGE

British premiere, at the tiny Inceley Theatre in north London. It is heartening to find an epic play, with 27 actors and 18 scenes, being staged with such confidence by a fringe theater.

Sackler's play, which offers a lightly fictionalized account of the career of the first black heavyweight world boxing champion, Jack Johnson (here called Jack Jefferson), is emotionally powerful rather than intellectually subtle. Jefferson beats the white hope to become world champ, but his affair with a white woman leads to prosecution. He jumps bail and becomes a fugitive, reduced to grotesque appearances in "Uncle Tom's Cabin" in a Budapest cabaret. Pitted against another white hope in a Havana bout, in exchange for amnesty, he is defeated (or maybe throws the fight) and ends up morally destroyed by white prejudice.

To some extent, Sackler romanticizes his hero, ignoring the real Johnson's legendary womanizing. His language also lacks the verbal fire that a black writer might have brought to the subject. But his play works, because it has the hectic vitality of popular theater. It is poster art with a liberal viewpoint.

Sackler knows how to orchestrate a big scene, as when a black pastor whips up a bout of holy-roller hymn singing to drown the cries of Jefferson's discarded lover. The play also captures the craven racism of the American boxing world during the World War I years and lays bare the cruel dilemma of a black athlete in those days: Whether he likes it or not, he is forced to become a symbol of black power, hated by whites, hero-worshipped by his own people.

The play gets a fine performance from Hugh Quarshie as Jefferson: who has a smiling, muscular charm and suggests a genuinely good man laid low by a prejudice he does not comprehend. Jenny Quaye as his adoring white mistress, Ella Wilder as his fire-spitting rejected lover and Joseph Myddel as a crafty pastor lend first-rate support. Nicolas Kent's production cleverly crams an epic play into a small space.

In Northern Ireland, this year's Belfast Festival (an event that has been going since 1963) is midway through its three-week course and doing a lot to brighten the image of the province. Under the direction of Michael Barnes, it includes, a new play that does a lot to explain the character of its countrymen: "Observe the Sons of Ulster Marching Towards the Somme," by Frank McGuinness, which Dublin's Abbey Theatre has brought to Belfast's beautifully restored Grand Opera House. This moving, compassionate study of the Protestant ethos is the work of a 32-year-old Catholic from Donegal.

McGuinness's play starts in the present with a lone, blind survivor of the Ulster Division—which was decimated during World War I—haranguing God, harking back to the slaughter ("We wished ourselves to die") and grieving for the present ("Ulster has grown lonely"). The play then flashes back to the war and shows how a batch of brave Ulster volunteers believed they were fighting the Catholic Fe-

nians as much as the Germans and how they brought to the Flanders battlefields Ulster's historic preoccupation with death.

In this poetic, haunting play, McGuinness is paying tribute to human heroism, satirizing Protestant credulity and, above all, perhaps, reminding Irishmen of all persuasions that Ulster is as much home to the Protestants as Eire is to the Catholics. That brave, unfashionable message comes across with stunning clarity in Patrick Mason's production, acted by a first-rate cast, in particular Ray McAnally as the guilt-ridden survivor, Bosco Hogan as his tormented younger self and Tom Hickey as a fanatical ex-preacher in black trousers that never quite reach his outsize boots.

The Citizens' Theatre of Glasgow, which frequently tours Europe, pursues its policy of adventurous internationalism with a

three-and-a-half-hour revival of both parts of Goethe's "Faust," directed and translated by Robert David Macdonald. Goethe's masterpiece is as much poem as play, and, in attempting to disguise its lack of drama, Macdonald sometimes swallows it in an excess of theatricality. Andrew Wilde's Mephisto slips in and out of endless disguises (including battered tramp and slinky vamp). The Emperor, whose tottering kingdom Faust rescues, is seen as a spoiled brat in short pants. And the ending, when Faust's soul is redeemed through love and the cast members raise their hands toward some mysterious, beckoning light, has the look of a Spielberg movie.

But the production, played against a set of jagged, towering white cliffs, is moving at its simplest, particularly in the scenes between Mark Lewis's haunted Faust and Yolanda Vasquez's faithful Gretchen, and whenever Julia Blacklock's statuesque, grieving Helen holds the stage. Like Goethe, the production pays tribute to the female principle and the idea of salvation through love; despite its occasional excesses (too much dry ice and drag), it presents a world classic almost totally unknown in the parochial British theater.

Michael Billington is filling in for Sheridan Morley, who will return next week.

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# Chile's Inti Illimani: 'New Song Movement' in Exile

By Sue Armstrong

AMSTERDAM — On Sept. 11, 1973, when Salvador Allende was assassinated in the military coup that brought Augusto Pinochet to power in Chile, Inti Illimani were giving a concert in Rome as part of a European tour. Twelve years later, the musicians are still in Rome. As moving spirits in Chile's New Song Movement, which grew up in the 1960s—a time of intense social, political and cultural awakening—Inti Illimani were considered a threat to Chile's new rulers. Their music, their message, even their traditional Andean instruments were banned.

The only plus in the group's long exile is that it has brought to the European consciousness the haunting music of the Andean Indians—the liquid-clear notes of the *queña* flute, the breathy tones of the *charango*, a tiny mandolin made from the shell of an armadillo.

Inti Illimani (named after the

sun god of the Incas and a craggy Andean mountain) spend roughly five months a year on the road. They have staged more than 1,200 concerts in Europe and the Americas since the coup. They are now on the last leg of a European tour that has included the Edinburgh Festival, a concert with the flamenco musician Paco Peña and the classical guitarist John Williams at London's Festival Hall, and a memorial concert in Amsterdam honoring a poet and musician, Victor Jara, who was killed in September 1973 in the Santiago football stadium, where thousands of Allende supporters had been herded.

Inti Illimani was formed in 1967 by seven engineering students at Santiago's Technical University after nervous authorities closed the school's flourishing *peña*—an informal club that affords an audience to artists and a melting pot for ideas and talents. "At that time we were just beginning to discover Andean Indian music, and it was a revelation to us," said Jorge Coulon, a founding member. "Bad commercial music was about all that was available to kids, and Latin American music hardly featured at all."

Violeta Parra, an eccentric anthropologist, who was largely responsible for reviving Latin American music. With her two children in tow she tricked the plateaus of the high Andes, collecting the music of the Indians, which she played in her *peña* in Santiago. The *Peña Parra* became the focal point of the New Song Movement, a cultural phenomenon that gave voice to the demand for social change in Chile immediately before the election of Allende. Inti Illimani took their music into factories, schools and community centers, and when Allende was elected they traveled abroad as cultural ambassadors for his government of Popular Unity. Inti Illimani are by no means propagandists, however; politics is

only one aspect of human experience as expressed by their music. "Certainly we are committed to progressive social change, because of our experience in our own country," said Coulon, "but we try to express far more than politics. We believe our music must reflect reality, and we are always looking to develop our musical language."

Inti Illimani are not purists. They have sought to avoid becoming "stuck in time" like too many artists born of an intense moment in history. Their music reflects the experience of exile as well as such varied influences as flamenco, Stravinsky and the peasant music of the Balkans. They compose 90 percent of their songs, but also have collaborated closely for some time with the exiled Chilean poet and singer Patricio Manns, who lives in Switzerland.

They have added a bass tone to their music with the big Mexican guitar, and recently introduced the soprano saxophone, which has featured in Peruvian folk music for several decades. The sax is played by Renato Freygang, who joined Inti Illimani last year. He was previously a member of Barraco Andino, a group of musicians in Chile who defied the ban on Indian instruments to play Bach and Vivaldi in churches, figuring that the gov-

ernment could not object to classical repertoire. It was the thin end of the wedge, opening the way once again for folk musicians.

Inti Illimani's music can now be heard in Chile on records, though live performance is still considered inflammatory. The authorities have not lifted the ban on the artists themselves, however, despite amnesty for other political exiles and despite the group's popularity with audiences of every political hue in Europe and the United States. (During a U.S. tour last summer they were presented with a certificate by Mayor Marion F. Barry Jr. of Washington, proclaiming Sept. 17 Inti Illimani Day for their "services to communication.")

Members of the group tried earlier this year to go home, but they were turned back at the Santiago airport after managing to exchange a few words with waiting relatives. For Inti Illimani the pain of exile endures, but in the words of their musical director, Horacio Salinas, "we go on making music, living and laughing. . . . One can't allow oneself to become too unhappy; the better times will come."

Inti Illimani, Volkshaus, Zurich, Nov. 13.

Sue Armstrong is a Brussels-based journalist.

# Schwitters's Son Calls Collage Fake

The Associated Press

LONDON — A collage attributed to the German Dadaist Kurt Schwitters, chosen by the Tate Gallery for the cover of the catalog of an exhibition of his works, has been labeled a fake and withdrawn from the show.

"Bluebird," dated to 1922, was part of an exhibition assembled by the Museum of Modern Art in New York, where it was shown for three months, said a Tate spokesman.

He said Schwitters's son Ernst told the Tate the work was a fake and asked that it be removed. In New York, a MOMA spokesman said the museum was also asked by Schwitters's son to withdraw the piece but declined.

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CH-4310 Rheinfelden, Switzerland.



NYSE Most Active				
Vol.	High	Low	Last	Chg.
IBM	280.00	279.00	279.00	+1.00
AT&T	270.00	269.00	269.00	+1.00
AmEx	270.00	269.00	269.00	+1.00
AmTel	270.00	269.00	269.00	+1.00
AmSat	270.00	269.00	269.00	+1.00
AmGen	270.00	269.00	269.00	+1.00
AmPh	270.00	269.00	269.00	+1.00
AmPh	270.00	269.00	269.00	+1.00
AmPh	270.00	269.00	269.00	+1.00
AmPh	270.00	269.00	269.00	+1.00

Dow Jones Averages				
Open	High	Low	Last	Chg.
Indus	1210.00	1208.00	1208.00	+1.00
Trans	1210.00	1208.00	1208.00	+1.00
Comm	1210.00	1208.00	1208.00	+1.00
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Trans	1210.00	1208.00	1208.00	+1.00
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Indus	1210.00	1208.00	1208.00	+1.00
Trans	1210.00	1208.00	1208.00	+1.00

NASDAQ Index				
Open	High	Low	Last	Chg.
Indus	1210.00	1208.00	1208.00	+1.00
Trans	1210.00	1208.00	1208.00	+1.00
Comm	1210.00	1208.00	1208.00	+1.00
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AmTel	270.00	269.00	269.00	+1.00
AmSat	270.00	269.00	269.00	+1.00

Dow Jones Bond Averages				
Open	High	Low	Last	Chg.
Indus	1210.00	1208.00	1208.00	+1.00
Trans	1210.00	1208.00	1208.00	+1.00
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Comm	1210.00	1208.00	1208.00	+1.00
Indus	1210.00	1208.00	1208.00	+1.00
Trans	1210.00	1208.00	1208.00	+1.00

Standard & Poor's Index				
Open	High	Low	Last	Chg.
Indus	1210.00	1208.00	1208.00	+1.00
Trans	1210.00	1208.00	1208.00	+1.00
Comm	1210.00	1208.00	1208.00	+1.00
Indus	1210.00	1208.00	1208.00	+1.00
Trans	1210.00	1208.00	1208.00	+1.00

AMEX Sales				
Open	High	Low	Last	Chg.
Indus	1210.00	1208.00	1208.00	+1.00
Trans	1210.00	1208.00	1208.00	+1.00
Comm	1210.00	1208.00	1208.00	+1.00
Indus	1210.00	1208.00	1208.00	+1.00
Trans	1210.00	1208.00	1208.00	+1.00

AMEX Stock Index				
Open	High	Low	Last	Chg.
Indus	1210.00	1208.00	1208.00	+1.00
Trans	1210.00	1208.00	1208.00	+1.00
Comm	1210.00	1208.00	1208.00	+1.00
Indus	1210.00	1208.00	1208.00	+1.00
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## Dow Index Again Sets Record

NEW YORK — Prices on the New York Stock Exchange finished broadly higher Tuesday in one of the busiest trading sessions of the year, setting records for the seventh time in two weeks.

Analysts credited lower interest rates and a generally improving economy with fueling a market rise that is now in its eighth week.

The Dow Jones industrial average gained 1.72 points to a record closing of 1,433.60, surpassing the previous high of 1,431.88, set Monday.

Volume rose to 170.80 million shares from 126.54 million Monday. It was the second-heaviest trading of the year, exceeded only by the 174.76 million shares that changed hands on Jan. 22.

"It's primarily interest-rate driven," said Jon Groveman, a trader at Ladenburg, Thalmann & Co., describing a stock market that has surprised many observers with its unwillingness to roll back after sharp gains.

The market's gains over the last several sessions have been "driven by the fact that the outlook for the credit markets is so improved," said Hugh Johnson of First Albany Co. He said people were anticipating a cut in the Federal Reserve's discount rate, currently 7½ percent, and "it makes the outlook for the economy and earnings much more upbeat."

Mr. Johnson said that the rally has been

largely the work of institutional investors and trading professionals.

"We haven't been able to wean individuals from interest-bearing securities," he said, but small investors could begin buying stocks if short-term rates fall below 7 percent.

"Somewhere there's a correction coming," said John Burnett of Donaldson, Lufkin & Jenrette.

Mr. Burnett said the prospect of lower interest rates was prompting investors to buy shares. Bank stocks were among the best performers, responding to the hopes for lower interest rates. Citicorp jumped 1½ to 46½, Chemical New York 1¼ to 40½, Bankers Trust 1¼ to 69½, J.P. Morgan 1¼ to 55½, Chase Manhattan ¾ to 61½, and Wells Fargo 1¼ to 59½.

Ralston Purina led the actives, falling 1¼ to 47½. Genentech gained 3 to 38½.

Some of the stocks in the drug group had sharp gains. Bristol Myers rose 1¼ to 62½, American Home Products 1¼ to 60½ and Upjohn 2¼ to 130½.

Union Carbide, which has advanced recently on speculation that GAF Corp. might increase its 10-percent holding, backtracked 1¼ to 59½. GAF added 1¼ to 46½.

InterNorth gained 1¼ to 49½ on speculation that the investor Irwin Jacobs purchased more than one million shares. Mr. Jacobs declined comment, as did InterNorth officials.



"The time has come, the Walrus said, to talk of many things: of shoes — and ships — and sealing wax, of cabbages — and GrowPaks. And GrowPaks?"

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## Grow Group

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Trans	1210.00	1208.00	1208.00	+1.00</



By Brigid Phillips

**THE HAGUE** — This autumn, the Dutch parliament has debated what many see as the dismantling of one of the most generous welfare states in the world. But far from a cause for outraged protest, the proposals for reform have been generally accepted.

Governments since the mid-1960s have struggled with the problem posed by the cost of maintaining the system of social payments. Now, the government of Prime Minister Ruud Lubbers has proposed six bills to restructure the most expensive parts of the system. In a country that is firmly committed to an egalitarian society, the measures to pare down unemployment, sickness and disability insurance could have been expected to unleash strong opposition.

Despite some criticism from employers and unions, both groups have recognized the pressing need for revamping the present system. The economy was crippled by the cost of the payments at the same time that revenues were deteriorating because of slumping sales of Dutch natural gas.

One-third of total government spending goes to the welfare state. Taxes and social security contributions constitute 52 percent of gross domestic product, the highest ratio in Europe outside Sweden. Employers pay more than a quarter of their wage bill in social-insurance contributions and employees put in 27 percent of their earnings. The number of people, including pensioners, not working and receiving benefits exceeds the number of people working in the private sector.

"In the past few years, the government has recognized that we had to roll back because the percentage of social security was simply too high," said Maarten Ruyss.

(Continued on Page 14)

(Continued on Page 14)



## By Michael Metcalfe

**THE HAGUE** — With six months to go before national elections, Prime Minister Ruud Lubbers's center-right coalition is relaxing the austere policies that have shaped the Dutch economy over the past three years.

Since November 1982, when the coalition of Christian Democrats and Liberals took power, the government has steered a tough course of trimming the budget deficit by sharply reducing public spending, pruning the social welfare system and holding back government employees' wages.

In addition, the government has tried to promote industry and combat unemployment, mainly through tax incentives and job-retraining programs.

As the election nears, the government's track record on economic issues is under close scrutiny by independent Dutch economists, opposition parties, pollsters and voters.

Most share the view that the coalition has successfully tackled the problems of paring public finances and of injecting fresh vigor into sluggish industry. However, the government is seen as having failed to deliver on the key issue of unemployment, which, at a rate of about 16 percent, is one of the highest in Western Europe.

Peter de Ridder, director at the state-appointed Central Planning Bureau, said: "The state of the Dutch economy has over recent years shown a remarkable improvement in several respects — an excellent performance with regard to wage and price inflation, a noticeable improvement of profitability and international competitiveness and, moreover, public-sector defi-

cits and a collective [tax] burden

But he added: "Remaining negative factors are the very high unemployment rate and the persisting large external surplus, indicating that investments keep falling short of savings."

According to statistics published by the bureau in September, unemployment in 1986 will remain at this year's level of 765,000, or around 16 percent of the work force. Only a slight increase is expected in the number of jobs available.

On a more optimistic front, the overall economy is growing at a healthy pace, with a slight acceleration expected in 1986. Forecasts of gross national product put growth next year at around 2 percent to 2.5 percent, compared with 2 percent in 1985. The prediction was made on the assumption that world trade will grow by 3.5 percent compared with 4 percent this year.

In a report published last month, the Amsterdam-Rotterdam Bank noted that manufacturing production is increasing, as is private-sector investment and domestic expenditure.

"Domestic expenditure remained on the uptrend. Personal consumption in the first seven months [of 1985] was up by over one point in real terms, with durables almost in step," the report stated.

According to Rob van der Graaf, chief economist at the Algemene Bank Nederland, the budget proposals announced in September for 1986 contained some encouraging news for industry and taxpayers alike, continuing a trend started in the 1985 budget proposals. He said:

“Together with corporation tax  
(Continued on Page 14)

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- **Stocks:** What the Netherlands is doing about fears of insider trading on an exchange studded with blue-chip issues. Page 11.
- **Options:** How the European Options Exchange is struggling to become less provincial and more international. Page 11.
- **Rotterdam:** Can the historic trading center ride out the changes of the 1980s to keep its pivotal position in the oil trade? Page 13.
- **Industry:** How tax reform and rising fixed investment have aided corporate profits after a decade in the doldrums. Page 16.
- **Shipbuilding:** Will the ferryboat Queen Beatrix be the last of the middle-class ships built in Groningen? Page 16.
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# Being Dutch is not enough

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## A SPECIAL REPORT ON THE NETHERLANDS

# Duisenberg Rules Over Autonomous, Strong Central Bank

By Vivian Lewis

THE HAGUE — Among central bank governors around the world, Wim F. Duisenberg, the governor of the Dutch central bank, has greater power than most.

"The law that nationalized the central bank in 1948," he said, "took great pains to make it as independent as possible. Thus, as far as decision-making autonomy goes, the board of directors of this bank can directly set interest-rate policy, while even the [West German] Bundesbank must seek the approval of the Bankrat," the West German advisory council.

Mr. Duisenberg, interviewed at The Hague offices of the Dutch central bank, De Nederlandsche Bank, or DNB, said: "In foreign exchange intervention, the Dutch central bank acts alone, while even Paul Volcker can act only with the approval of the U.S. Treasury."

Mr. Volcker is chairman of the Federal Reserve Board.

He wryly concluded, "The pity of it is that they have bigger countries."

Within the Dutch context, the broad reach of central bank policy-making has considerable effect. A few hours before he gave the interview, he had his weekly policy lunch with Finance Minister H. Onno Ruding. These meetings occur no matter what government is in power.

Mr. Duisenberg added, "It is a very good thing to take the central bank away from the folly of the day, from changing political attitudes and coalitions, to give an element of stability."

Mr. Duisenberg himself served

as finance minister for the Socialists, who are now in opposition. "When I was in government, it greatly helped me to have an independent central bank. The minister of finance, in any government, is the most lonely figure there is. Everyone wants more money, and he is the one who has to say 'no'. The only ally he has is the central bank."

The DNB's independence goes back to its foundation in 1814 as a private company. Its statutes were modeled on those of the Bank of England, itself a copy of an earlier Dutch issuing bank.

Being from a small country, Mr. Duisenberg does not belong to the Group of Five, the group of central banks that reduced the dollar's exchange rate in September. But the Netherlands is a member of the Group of Ten.

Mr. Duisenberg said of the Group of Ten: "It is the most effective cooperation of central bank governors there is. With monthly meetings, the governors get to know each other over the course of years, because of the regularity of meetings and the continuity of the population of the staff."

The Group of Ten governors were informed of the intervention plans of the leading five central banks — the United States, Britain, Japan, France and West Germany — within 24 hours, Mr. Duisenberg said. "We were told of the definite targets on exchange rates they agreed on, and our partners consulted us and asked our cooperation."

He refused to indicate if the DNB in fact intervened on the



Wim F. Duisenberg and the central bank headquarters.

money markets by selling dollars with the Group of Five. "We never disclose our market position," he said, "because otherwise we would always have to disclose our market position."

Unlike larger countries' central banks, such as the United States, West Germany, Britain or Japan, and unlike the direction in which France is moving, DNB does not have an open-market position, which would enable the central bank to buy and sell treasury bonds and bills to control interest rates indirectly.

"To do that, we would have to have a stockpile of bonds, which we would have to buy," Mr. Duisenberg said. "This would mean the central bank is financing the government, which I don't want to do. But nothing under law prevents us doing that."

In the Netherlands, the central bank has other monetary policy instruments as well, notably the ability to intervene directly in controlling the ability of banks to create

liquidity or to ban or limit new credits. Such power has been used in the past by the bank, but is now being kept in reserve.

"We are not entirely unconcerned as to monetary developments," the governor said. "The creation of money has been very rapid for some time. The liquidity ratio [the relation of broadly defined money supply to national income] has been rising." But, he said, as long as investment remains at an all-time low and the balance of payments deficit and unemployment are high, the central bank will not try to cut down on money-supply growth.

Instead, the Dutch are allowing interest rates to stay at a level somewhat higher than that of West Germany, while their currency, in the European Monetary System, has been fixed to the Deutsche mark since the realignment of March 1983.

In addition to having powers comparable to those of the U.S. Federal Reserve Bank, the gover-

nor of the Dutch central bank also has some of the powers of the U.S. controller of the currency and of local bank regulators. In 1983, lawsuits were brought against the DNB over the failure of a Dutch mortgage bank.

Today, in the line with recommendations by the Bank for International Settlements, another central bankers' club with wider membership than the Group of Ten, the Dutch central bank is worrying about off-balance sheet risks that banks may be incurring, with the note-issuing facilities and guarantees they are providing.

"We are following the matter closely and have warned banks to be very careful," Mr. Duisenberg said. "Our fundamental concern is that they are providing this service with extremely low margins."

He added: "We are acting on more than prudential grounds alone. We do want banks to maintain their profitability. This is not an attractive part of the business."

## Economy of High Interest Rates Blamed on Guilder-Mark Link

THE HAGUE — Within the European Monetary System, the guilder has been pegged to the mark's parity at a central rate of 112.7 since March 1983. To keep within the trading range, the Dutch central bank has maintained a differential between Dutch and West German short-term interest rates. While German rates are in the range of 4 percent, Dutch "advance rates" are being kept at 5.5 percent.

"Our link with the DM is a bad thing," said Fopbertus Hoogendijk, a board member of Amsterdam-Rotterdam Bank (AmRo). "If the German mark is strong, interest rates in Dutch guilders have to be a little higher than in marks. So we have to work harder in good times. And if things are bad, with higher interest rates it hits us more... we can never win."

Determination to maintain the differential at above 100 basis points led the Dutch central bank in January to copy a move by the West German Bundesbank to raise the maximum Lombard rate; again in August, when the German yields fell, the Dutch kept the differential in their own discount rate, which is, in fact, a minimum rate.

Mr. Hoogendijk, as well as financial analysts at the Pierson, Helderling & Pierson merchant bank, which is controlled by AmRo, said that this high-interest policy was harming the Dutch economy and contributing to the problems of an investment-led recovery. He said the Dutch central bank should follow the example of the Bundesbank or Bank of England: to intervene on the markets by trading in Dutch bonds to force rates downward.

The current interventions of central banks on the money markets tend to have a perverse effect. Without special measures to counter the effect on money supply of intervention to push down the U.S. dollar, the result will be monetary expansion in the United States and monetary contraction in countries whose currencies are being edged up, like West Germany or the Netherlands. This can be countered by a technique called "sterilization," to offset the effect of intervention on money supplies.

In the case of the Dutch market, intervention is running at 100 million guilders (about \$33.3 million) per week. And as soon as there are any hints that German interest rates are firming, the Dutch money-market rate has tended to follow.

Critics of high interest rates attribute the lack of capital investment and Dutch unemployment to interest policy. But the number of Dutch jobs moved

downward from its peak of over 840,000 in the spring of 1984 at the same time as interest rates have risen. And while forecasts for 1986 by the Dutch Central Planning Board show a pickup in investment, special factors are expected to prevent unemployment figures from improving very substantially. The argument that money is causing joblessness has not been substantiated.

In fact, banks are worried about high interest rates for their own reasons. Dutch corporations are reluctant to borrow, not only because loans are expensive but also because they have other alternatives.

A pickup in cash flow, better export earnings and a drawing down of inventories in many industries provide an alternative to borrowing money through self-financing. Then, too, the boom in the stock market and parallel markets gives Dutch firms a new source of equity that costs less than loans.

If the guilder, following the mark, strengthens more sharply against the dollar, those export earnings may suffer. Dutch sales of goods to the United States nearly doubled between 1981 and 1984, an indication of the effect of shifts in exchange rates, although less than 5 percent of Dutch goods go to the United States.

"We make our sales not on price but on quality and delivery and service," said Bert Twaalfhoven, president of a smaller company, Individers of Schiphol. "Unless the dollar falls 10 or 15 percent more," he added, "the effect will be purely positive for us."

Mr. Twaalfhoven, whose company does aircraft engine servicing and makes microchips, also is optimistic about the interest-rate trend, at least for high-growth firms like Individers. "Interest rates of 11, 12, 13 percent have no effect on U.S. business decisions there," he said. "And here, what does it matter if I pay 7 1/2 percent to borrow if I can make 15 percent net on equity or 30 percent after taxes?"

Of course, larger companies that grow less fast may not be as sanguine as Individers. And some business activities, such as construction or trading, are more sensitive to the cost of money.

In fact, one of the most spectacular victims of exchange rate and interest trends among Dutch companies is Hagemeyer, a trading group whose losses for the first half of 1985 topped 1.6 billion guilders on turnover of 618.9 billion guilders, and it expects a further loss from its commodity division in the second half of the year. Hagemeyer is resolving its problems with a new linkup with Sears World Trade.

— VIVIAN LEWIS

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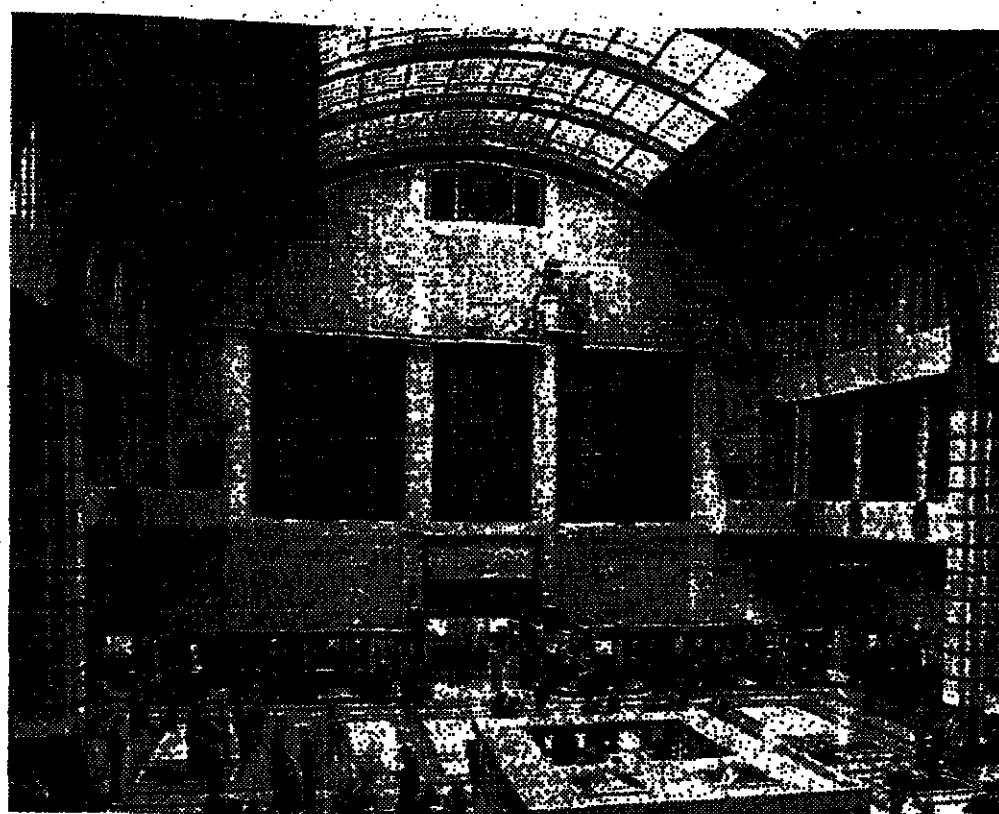
## Europe To One

AMSTERDAM — Being able to use the European Central Bank's... (text continues in a column on the right edge of the page)

## Knights... assis... imple...







The trading floor of the Amsterdam Stock Exchange.

## European Options Exchange Seeks To Outgrow Its Provincial Image

AMSTERDAM — An attempt is being made to internationalize the European Options Exchange in Amsterdam. Because of the failure of the seven-year-old exchange to generate volume in foreign-share options, the EOE, while remaining the principal European center for options trading, has become quite Dutch.

But moves to add new options and to extend trading hours to cover the world on a 24-hour basis should make it less provincial. In the first nine months of this year, Dutch securities — shares and government bonds — made up the bulk of business. Volume leader for the second year was the Dutch share. Akzo, not even an international blue chip. The Dutch were increasing their familiarity with the market by seeing trading sessions on public television.

Petrofina of Belgium is the only surviving non-Dutch company in which Amsterdam options trade, and it accounts for only 0.2 percent of total stock options trading.

The French government, as part of exchange controls imposed in 1981, required that options on French shares be delisted. German share options, delisted by German banks, failed to generate sufficient volume to survive.

Still, the European Options Exchange in Amsterdam, while dwarfed by the options markets in the United States, particularly the Chicago Board Options Exchange, remains the leading market for puts and calls in Europe, according to the International Association of Options Exchanges and Clearing Houses. By number of contracts, the EOE in 1984 ranked fifth in the world, while the newer London Stock Exchange options dealing ranked 11th.

The EOE already offers contracts on currencies like the dollar-sterling exchange rate or the dollar-Deutsche-mark exchange rate, where there is no "Dutch connection." By the end of this month, it will launch a new set of puts and calls, of dollars against European Currency Units.

"This is a back-door way to hedge French or Belgian francs,"

said Theodore E. Westertorp, the general director of the EOE. There will be immediate trading in Montreal, making this a 12-hour market.

Silver and gold options traded in Amsterdam can be covered on a 24-hour basis. Trading picks up in Montreal after it closes in Amsterdam, and then moves on to Vancouver before resuming at 12 P.M. local time (one day later) in Sydney. These 24-hour gold options are cleared through the Amsterdam-based International Options Clearing Corp., which is owned by these four exchanges.

Currency trading, particularly in dollar-sterling, is already available on a 12-hour basis with Montreal. Mr. Westertorp said that this would be extended.

The gold deal of these four exchanges will be extended in 1986 to cover one or two options in leading companies from each market, he said. "Options in shares like Royal Dutch or Broken Hill Proprietary will be tradable for 24 hours."

The EOE's business has been brisk this year. In the first nine months of 1985, its volume totaled slightly more than 4.8 million contracts, compared to just more than 5 million in all of 1984.

But there is plenty of room to grow given the levels of annual trading at the Chicago Board Options Exchange — 123 million contracts in 1984. London and Amsterdam have a "hands-off arrangement," Mr. Westertorp indicated. "We don't trade options in British shares, and they don't trade in Dutch."

He said that the London options market is interesting. However, a leading British brokerage house analyst, Michael Freyd of Phillips & Drew, said that, "while options trading in Amsterdam is not particularly important to us, it is useful to have it there, for Dutch share options."

Mr. Freyd said that 95 percent of his firm's British options business is done for British residents. "Despite the large use of options in the United States, American institutions are not making much use of options in Europe," he said. He

expressed regret that options in German shares were delisted from the EOE in Amsterdam "despite the fact that you can't do such trading anywhere else."

From London, perhaps the biggest attraction of Amsterdam is the possibility of "currency contracts in sterling-dollar rates," according to Mr. Freyd. "What makes it doubly interesting is that the Dutch market is fungible with Montreal and Vancouver, allowing 16-hour coverage." He called this "very convenient."

In the case of British-Dutch shares, such as Unilever or Royal Dutch Shell, quoted on both London and Amsterdam options markets, there are interesting arbitrage possibilities for dealers.

André van Eerden, who is a market maker at the Amsterdam EOE, is also active in the U.S. options market in both puts and calls in the stock he handles, Royal Dutch Shell.

"Because the market uses a different strike date, the U.S. options have an extra month to run," he said. "It gives us a nice turn." (Royal Dutch Shell is traded on the American Exchange options market with strike dates in November, February and May, one month earlier than in the EOE.)

International arbitrage between options markets is for specialists. Most of the ordinary EOE clientele, who are in stock, bond and index options — if not in precious metals or currencies — out-weigh professionals and are not that sophisticated. They also find the international side almost irrelevant.

Just about half the puts and calls traded in Amsterdam involve ordinary Dutch shares, the fastest growing market segment.

The options market is sufficiently appealing internationally and above all domestically to allow the EOE to expand. An eight-story building is being constructed to house the Options Exchange, about halfway between the Amsterdam Stock Exchange and the former Royal Mint. It is due to open by the spring of 1987.

— VIVIAN LEWIS

## Stock Exchange Wants to Rule Out Insider Trading

By Vivian Lewis

AMSTERDAM — As European stock exchanges become more controlled, due to the rise of U.S. institutional and individual investment, pressure is growing for stricter information rules.

It is felt that corporate accounts, complete, consolidated and regular, should be given to all shareholders at the same time. Insider trading, which is illegal in the United States, worries European investors, too. This trading involves using inside information to buy stock in a company that will be subject to a takeover bid or to sell stock before a poor report is published.

This is the case of one of the favorite markets for foreign share buyers, that of Amsterdam, whose exchange is popular because of the number of international blue chip corporations that are Dutch or half-Dutch, such as Philips, Royal Dutch Shell, Unilever, and Heineken.

Suspicious of insider trading, following the recent case of Hagemeyer and Rademaker Meaai, has led to parliamentary questions to Finance Minister H. Onno Ruding, both from his own Christian Democrats and from the opposition Socialists.

De Telegraaf, the Dutch morning newspaper, has warned that "the stock market risks making itself ridiculous" if it fails to follow up on complaints. But Mr. Ruding has not given a firm commitment to those calling for a crackdown on insider trading.

A powerful voice has been raised in favor of legal sanctions, that of Boudewijn Baron van Iersum, chairman of the board of the stock exchange.

He said: "We have what we call a 'stock watch,' which monitors price and turnover looking for insider trading. But insider trading is not a criminal offense in this country. For over two years we have been discussing with the government the need for a law to go further than the code of conduct we have with our members. A code of conduct can signal or investigate, but it has no real sanctions at its disposal."

Mr. van Iersum insisted that "the members of the stock exchange share this view" of the need for regulation. The exchange's

members are brokerage agents or banks.

The Amsterdam exchange, founded in 1611, remains what it was then, a private association, governed by representatives of its 140 members and is self-regulating. Mr. van Iersum has headed it for four years after directing international affairs at the Finance Ministry.

Yet, it is not for the sake of the foreign investors that Mr. van Iersum wants to outlaw insiders. "We need to mobilize domestic investment," he said. "For our own enlightened self-interest we need an increase in the provision of capital to Dutch business," which he said was undercapitalized.

Mr. van Iersum said that in 1978, one Dutch household in eight held securities; today, the number is one in 10. To increase interest, the exchange is running an advertising campaign and sponsors promotional activities, such as guided tours or kits for investment clubs.

"Our tactic is to spread ownership, to bring smaller investors to the stock market, to help people feel a certain link with business," he said.

The stock exchange, temporarily, has abandoned its lobbying for tax incentives to encourage the purchase of shares. Instead, pressure is being put on the government to allow the Dutch to buy shares for their retirement, a program similar to the Individual Retirement Accounts in the United States.

"The idea is that an individual will open an account and put money in it and make his own investment decisions — on condition that he only take the money out when he has retired," Mr. van Iersum said. Currently, tax incentives for retirement saving apply only to insurance or pension funds, which put most of the money into bonds rather than stock.

Mr. van Iersum expects the retirement-accounts proposal to be raised in debates over the 1986 budget, but legislation is more likely to come only late next year, when the 1987 budget is discussed.

While the Dutch have been relatively reluctant stock buyers, foreigners have rushed into Dutch shares. The result has been a three years' growth in the share index, which now is more than twice the level of 1970 and 30 percent over the start of the year.

In the case of about 30 or 40 leading international shares, Mr. van Iersum pointed out that "foreign ownership averages 20 percent and may be as high as 50 percent in some shares at some time."

Running an open economy, the Dutch are not opposed to foreign investors as such. But they have seen the effects on their own payments balance of massive inflows — and outflows — of investment. "Foreign investment is less stable than our own investment," Mr. van Iersum said.

The Dutch central bank gives data showing the size of stock exchange movements and their effect on the Dutch balance of payments. In the first quarter of 1985, sales of stock, "notably to the United States," produced an inflow into the country of 1.7 billion guilders (\$370 million), while foreign bond purchases produced a further 1.1 billion guilders. The total inflow,

including the small amount of Dutch purchases of foreign shares, was 3 billion guilders.

This is a huge amount compared with the first-quarter current account (net earnings on all trade in goods and services) of 4.6 billion guilders. And it can reverse overnight, as it did in the first half of 1984, when there was a net portfolio investment outflow to the United States alone of 700 million guilders.

As if the extreme volatility of U.S. investments were not enough, the fall in the dollar and a better yield than in West Germany have drawn other short-term foreign investors to the Netherlands.

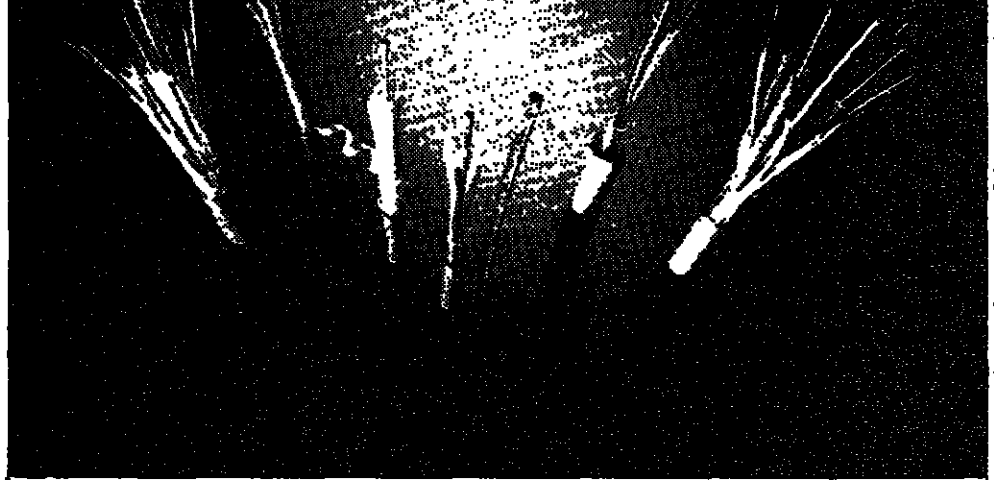
Tsutomu Nagazumi, general manager of the Bank of Tokyo in Amsterdam, said: "Japanese investors are diversifying more and more and we are helping institutional investors. Now they are into Dutch

bonds more than shares, but share purchases are rising steadily."

Foreign investors' taste for taking profits results in strong ebbs and flows of funds into the narrow Dutch stock market, as well as in the Dutch payments balance. Mr. van Iersum expressed some doubts about whether the three-year-old boom in stock prices can, or should, continue. "We need time in the market now and then for reflection, to counterbalance the rise," he said. "And there is some uncertainty about the elections next May."

The Dutch market is attractive by international standards. Although yields are low, price-earnings ratios are on the low side, too. Institutions with large sums to place now can pay negotiated commissions up to 75 percent below the maximum rates, and charges on small trades are said to be among the lowest in the world.

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## A SPECIAL REPORT ON THE NETHERLANDS

# Rivalry Setting Pace In Banks' Rapid Bid To Go International

By Vivian Lewis

UTRECHT — Dutch banks continue to move in on each other's turf. Here in the ultramodern headquarters of Rabobank, the Netherlands' second largest bank, the chairman, Pierre J. Lardinois, tells how the bank is becoming more international and how it is offering more services to small businesses.

"Already, we have the largest market share among small and medium-sized enterprises, which we want to make known and build up," he said. In doing so, he will be pitting Rabobank against the leading institution specializing in small business loans, the Nederlandsche Middenstandsbank (NMB).

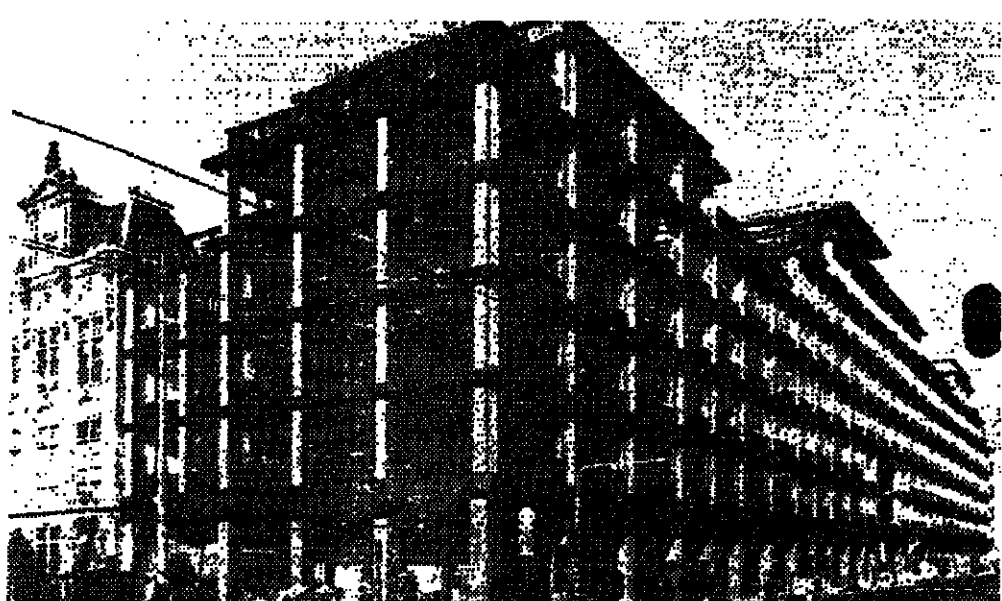
Meanwhile, both Rabobank, a farmers' cooperative institution officially known as Coöperatieve Centrale Raiffeisen-Boerenleenbank, and NMB are challenging the top international bank, Algemene Bank Nederland (ABN) and Amsterdam-Rotterdam Bank (AmRo) with their burgeoning foreign branching.

Rabobank opened its first foreign branch five years ago, in New York, with a staff of five; today, it has a \$2-billion balance sheet (total). In 1983, it acquired 84 percent of Algemene Deutsche Creditanstalt, a Frankfurt-based bank quoted on the stock exchange

there, with eight branch offices around West Germany. It has opened a branch in Antwerp and this year turned its London office into a full branch. It is opening in Paris in December, and next year in Singapore, with representative offices planned for Jakarta and Hong Kong. Mr. Lardinois, architect of these expansion plans, said that "we want to be in all main harbors."

NMB's internationalization has been almost as rapid. Since 1977, it has opened in Zurich, London and New York. In 1981, it bought out a consortium bank, Interunion, to acquire merchant and retail banks in Paris. This year, the network was strengthened by the purchase of the former First Seattle branch in Tokyo from Bank of America, which had acquired it as part of a rescue operation, and by the purchase of the Hamburg branch of Nederlandsche Creditbank, owned by Chase Manhattan. NMB has also been building up its network in Latin America.

AmRo and ABN are not afraid to trespass into rival territories, either. Robert Hazelhoff, the newly appointed chairman of ABN, speaking about plans to go into farm banking, said: "Rabobank has 90 percent of the market, so they won't mind us taking a percent or two." His motive is not only to



Algemene Bank Nederland: Under challenge by competitors.

keep the competition on its toes, but also "because foreign business is not growing as rapidly as in the 1970s."

Mr. Hazelhoff is stressing the four pillars of ABN: lending, securities, international and domestic operations. The fifth pillar on which the others depend is service, he said. "But we have to stress the domestic business because it is the basis," he added.

As part of the new orientation he is giving ABN, Mr. Hazelhoff hopes to bring those who are in relationship with the customer into greater contact with the financial side of the bank, so that they are knowledgeable about more sophisticated instruments "midway between securities and the banking market."

Fopbertus Hoogendijk, a board

member of AmRo, also has ambitions to get away from classic commercial lending. He discussed the takeover of AEG by Daimler-Benz in neighboring West Germany. "German banks are instrumental in doing deals while there are limitations on what we can do in the Netherlands. Germany is still — I hate to say it — a bigger country. And the magnitude of coordination between banks and industry is greater." And then he concluded: "I would love to do deals like that!"

He also mentioned the expansion efforts of NMB and Rabobank. "It is clever of them to find something in their own field of strength," he remarked about Rabobank's farm loans, and its plans to work with Agricultural Bank of China. As for late internationalization, "we at AmRo missed two generations. Now we realize we are really in trade financing. Delayed internationalization meant that during the 1970s when we did finally internationalize to take advantage of opportunities."

In 1986, another major bank will enter the market for the first time

as a commercial lender. It is the Post-Bank, formed out of the postal savings and postal giro systems. Under its new statutes, its lending will no longer be confined to mortgages and personal loans.

The arrival of the Post-Bank, according to Mr. Hazelhoff at ABN, will exacerbate some aspects of bank competition. "The main problem of Dutch banking is that checks are free; we are losing a fortune on the payments system. He would favor a system modeled on that of Britain, or some U.S. states, where a fee related to minimum balances is charged for accounts or transactions."

In the parliamentary debate over the legislation to establish the Post-Bank, a Socialist motion was made that fees should not be charged for checking accounts. This motion could weaken the efforts among private banks to introduce a system of charging for checks used. "We are willing to pay higher interest on current accounts than the Post-Bank, but we still don't like to be the ones to introduce fees," Mr. Hazelhoff said.

## The Asia-Pacific Connection: Two-Way Street Is Broadening

AMSTERDAM — "The Dutch buy from the Chinese to sell to the Scots," said Fopbertus Hoogendijk, a member of the managing board of Amsterdam-Rotterdam Bank. A former head of international operations at AmRo, Mr. Hoogendijk is one of those Dutchmen who began their careers in the Far East or Pacific Ocean zones.

The Eastern connection also works the other way, with an important contingent of Asian-Pacific-linked banks operating in the Netherlands. Out of 36 foreign banks in the country, 11 are from Asia and Australia, including De Indonesische Overzee Bank (Indover). This is the largest overseas bank in the Netherlands specializing in foreign business, as opposed to banks here that are international in ownership but do most of their business in retail banking.

Indover is the third largest foreign bank in the Netherlands in terms of business. Other Asian institutions among the top 10 foreign banks include five Japanese banks: Yamaichi International, Dai-ichi Kangyo, Tokai Bank, Bank of Tokyo and Kyowa. In the Netherlands, Japanese securities houses have been licensed as full service banks.

Indover, a subsidiary of the Indonesian central bank, successor of the Amsterdam office of the colonial-period central bank, is something of a special case, concentrating as it does on trade with Indonesia. Jan Ordelman, the manager, said that, through its Hamburg branch, "it is possible that a German exporter might go to the Hamburg branch of a Dutch bank with an Indonesian owner to do business with China."

Along with other Indonesian state and private banks established

in money-market centers like New York or London, Indover has the important second role of doing the full range of international placing for Indonesia, a major oil-exporting country. According to Klaas Brink, a bank official, "We manage the portfolio of the Bank of Indonesia, doing operations in foreign exchange, Eurocurrency deposits, floating-rate notes or bonds, participating in syndications, doing swaps and helping find finance for Indonesian companies from the private sector or acting as a merchant bank."

These international activities, Mr. Brink said, can be operated out of Amsterdam because "Communication is so good these days that we are as well placed as a London bank could be."

However, Indover's Eurobanking activity is not typical of Asian-Pacific banks in the Netherlands. The Japanese securities houses — Yamaichi, Nomura, Daiwa — are active on the stock market and help place Dutch investments at home.

Of the four Japanese commercial banks, Mr. Brink said: "They are not like American banks, who want to allocate every segment and make sure it pays. Japanese banks complain to their parent if they don't have enough business in Holland, and their parent makes sure they will do business. Japanese banks have a rich parent."

This view is not shared by Tsutomu Nagazumi, general manager of the Bank of Tokyo in Amsterdam, which reported a 25-percent drop in profits in 1984. "Our parent doesn't really help the subsidiary, which is expected to try to stand on its own feet," he said. "Even if our parent is rich, in the case of a highly international bank

like this one, our parent cannot feed so many children."

Bank of Tokyo specializes in foreign-exchange business, as well as acting as a community bank for the Japanese business in the Netherlands. "And we are trying to break into being the bank of non-Japanese enterprises," Mr. Nagazumi said. "But we can't compete with big Dutch banks like those across the street," he added, referring to Algemene Bank Nederland (ABN).

Bank of Tokyo is closing its small office in Rotterdam and amalgamating its business into that of the Amsterdam bank.

Perhaps the biggest market for Dutch bankers is China, where they have great hopes. Robert Hazelhoff, chairman of ABN, the most international of the Dutch banks, said, "We are doing a feasibility study of the possibility of opening a branch in China, which we would like in the long term."

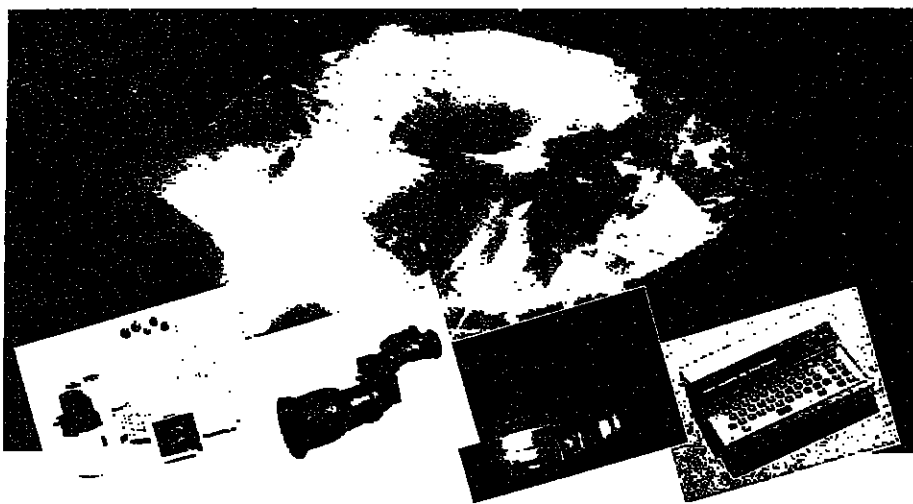
Mr. Hoogendijk said AmRo will open an office in Beijing in March, "with possibilities of more." Nederlandsche Middenstandsbank hopes to be able to continue to cover China out of its Hong Kong office.

And even the laggard among the large Dutch banks in internationalization, Rabobank, the cooperative farm bank, has plans for business with China. According to Pierre J. Lardinois, chairman of the Rabobank executive board, important contacts are being developed with Agricultural Bank of China, "which also wants to be seen internationally."

The two farm banks have done some deals together and Chinese officials told Rabobank that they want to continue to work together, according to Mr. Lardinois.

—VIVIAN LEWIS

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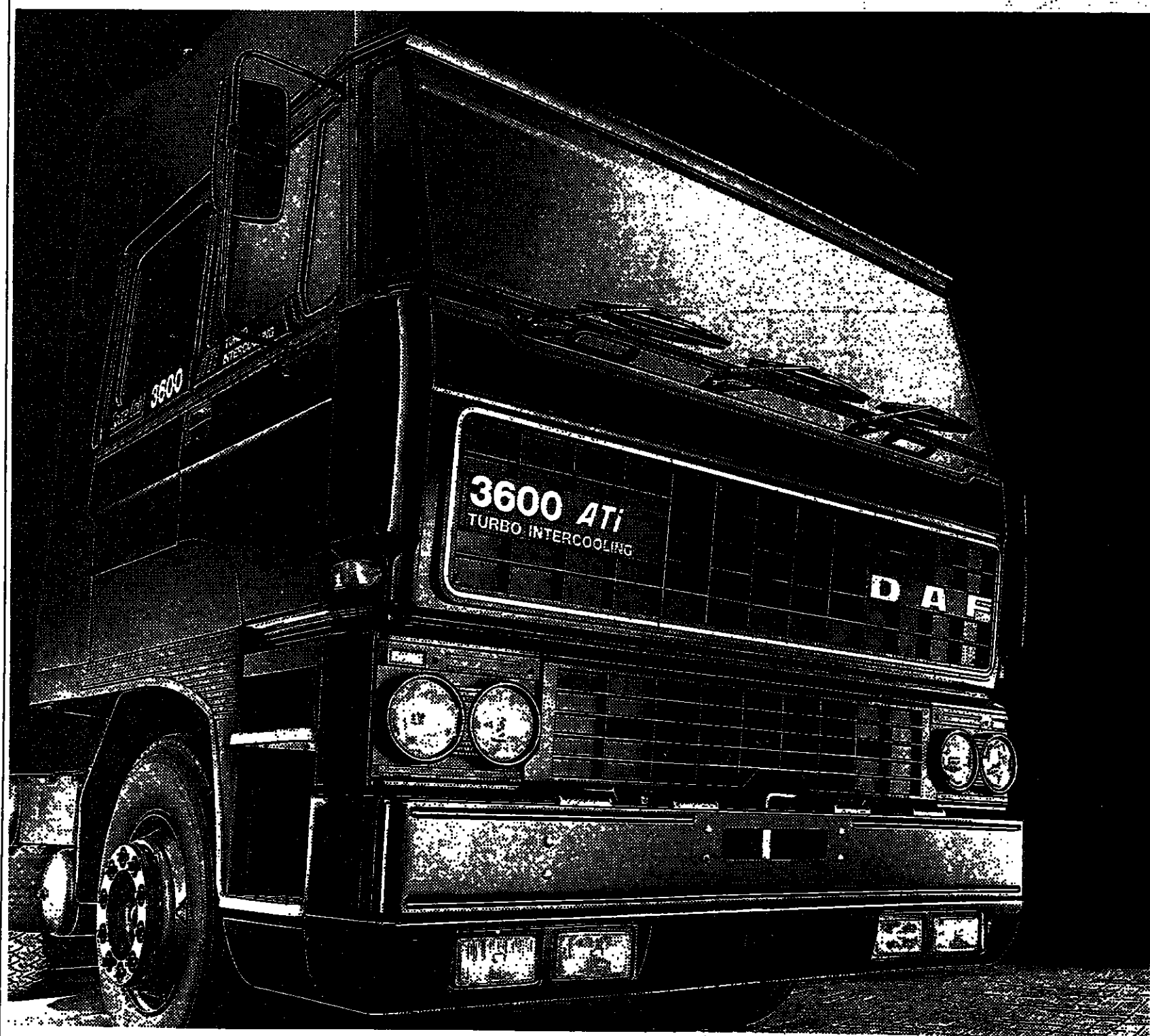
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## Rotterdam's Grip On Oil Processing Is Facing Challenge

By Brigid Phillips

ROTTERDAM — Rotterdam has built on five centuries as a trading center to become the international crossroads of the petroleum industry. But there is some question whether the port can ride out the changes of the 1980s to keep that pivotal position in the oil trade.

Rotterdam's focus on oil began in 1929, when its first petroleum port was constructed. Shell built the city's first refinery in 1936. Since then, three oil ports have been added.

Oil provided the key for Rotterdam to switch from a transit harbor to an industrial base less dependent on the fortunes of the shipping hinterland, especially West Germany. By 1973, the peak year for oil transportation, oil accounted for 70 percent of the shipping in Rotterdam. But now, Rotterdam's comfortable hold on oil refining is threatened by the trend of Middle East countries to develop their own petroleum industries. A decade ago, some Middle East producers, worried about an economy based on the export of raw materials, planned to establish an industrial infrastructure by moving into refining. Saudi Arabia now has two export refineries in operation, one with 50-percent participation of Shell, and Kuwait and Libya have also embarked on refining activities.

The trend has prompted Rotterdam's storage and transportation companies to review their operations. Paktank International, Rotterdam's biggest independent tank-terminal operator, has just opened a new facility in Tunisia designed to receive the new refined products coming out of the Middle East. Just six months ago, Paktank opened another terminal in Singapore. And three years ago, Paktank converted much of its Rotterdam crude-holding terminal to meet the growing need for storage space for refined products.

"From five years ago we saw this trend," said Henk van Ooijen, marketing manager for Paktank. "There is no market need for refined products from the Middle East, but those products are coming anyway. We are simply responding."

But while Paktank is planning,

around a future with far-flung refining, others think that Rotterdam's position is secure. Officials at Shell said the venture by Middle Eastern countries into refining has had limited success. The two Saudi refineries are estimated to be operating at under half capacity and plans for new refineries are being delayed.

Domestic refining by members of the Organization of Petroleum Exporting Countries represents a premium in the oil market, according to Jan Oskam, director of Novok, the Dutch organization of oil merchants and retailers. "The way of the future," he said, is the route Kuwait took.

The Kuwaiti government has purchased refining and European distribution from Gulf. The Kuwait Petroleum Co., instead of competing by constructing a domestic infrastructure, joined the existing multinational network and moved into Rotterdam.

Even the competition approves of the Kuwaiti approach and sees it as the mechanism for OPEC members to take up broader petroleum activities. Shell officials described the Kuwait Petroleum Co.'s behavior as "very orderly" and said they detected nothing to indicate that the company would take advantage of its wide margin between cost and price to undercut the market.

Energy analysts at the Dutch Economics Ministry said another encouraging sign for Rotterdam was the substantial investment the major oil companies have made to upgrade their refinery operations at the port. In one such move, Shell has invested 125 million guilders (\$41.6 million) to build a high-vacuum unit that replaces its two 1950s refineries.

The new unit is more energy-efficient and can produce 10 percent more distillate with a process that refines the heaviest part of crude oil into more valuable lighter products. The whole refinery upgrading will cost Shell 2.5 billion guilders. Esso will spend about the same amount to modernize its Rotterdam refinery and other refineries are following suit.

"The commitment the traditional refiners have made to staying in Rotterdam and the arrival of new players such as Kuwait are positive signs," said Rein Berner, an Eco-



Oil storage tanks at Rotterdam.

nomics Ministry official. "Rotterdam will stay competitive for the next 20 years. And if it's competitive, the oil market will stay there."

Pegged to the health of the oil transportation and refining industries is the health of the Rotterdam spot market, which has become an influential factor on the price of oil. Mr. Oskam said dozens of operators dealing in oil surpluses and deficits spawned the market in the 1960s, when it is estimated they accounted for something less than 5 percent of the oil trade.

Then, in 1973, Sheikh Ahmed Zaki Yamani of Saudi Arabia blamed the Rotterdam traders for boosting the price of oil as spot crude and product prices jumped ahead of official levels. The spot market took on a bigger role after

the supply crisis of 1979 and has been a critical indicator in the past few years of OPEC instability. By 1984, up to 40 percent of the world's oil was sold on the short-term market of Rotterdam as well as in New York and Singapore.

According to an official at Shell, the main threat to Rotterdam is the recent growth of trade in so-called electronic barrels, or a futures market in oil. Mr. Oskam discounted the phenomenon, saying, "Those are just paper barrels that have nothing to do with the physical market. More and more people are realizing that it is wrong to make judgments on the oil market based on the futures market. What counts is supply and demand for oil. That's what Rotterdam traders deal in and that's what counts."

## Extended Gas Sales and Nuclear Power Are Pillars of Revised Energy Program

THE HAGUE — Through the early 1980s, the Netherlands wrestled with the problem of whether to spin out its rich reserves of natural gas for future use or exploit them to help pay the cost of a generous social welfare system.

The government finally settled on a two-part solution that may prove more controversial than the debate on running out of gas. The plan was to expand sales of gas to reap revenues to support the ailing economy. At the same time, the government embarked on a program to use nuclear power as the principal substitute for gas.

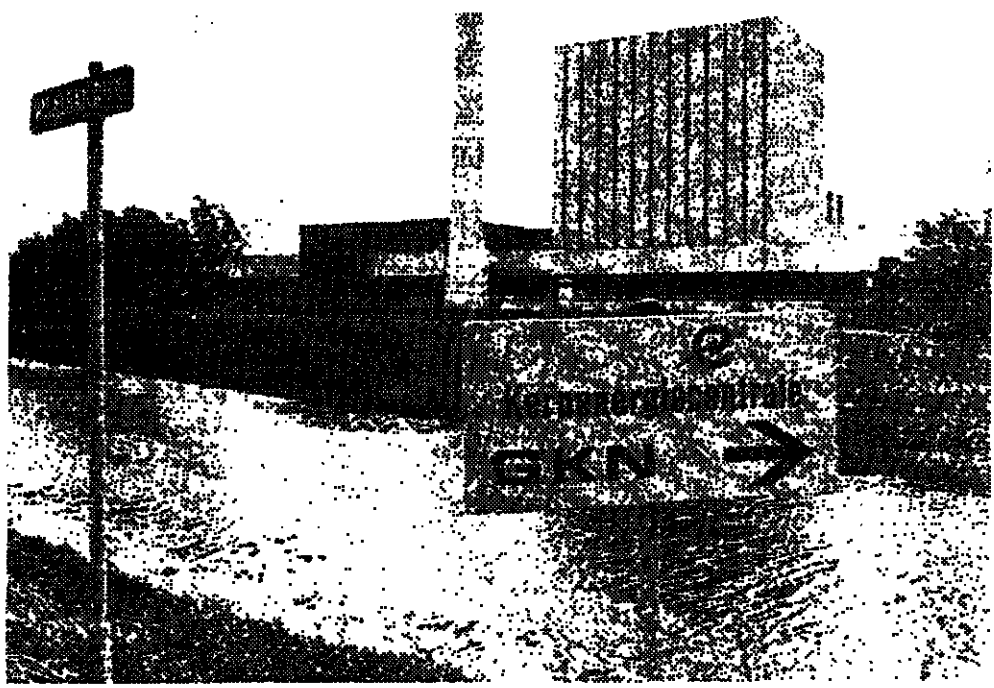
For more than two decades, the Netherlands has been Western Europe's biggest producer of natural gas. In 1959, the huge Groningen field was discovered in the northern part of the country and natural gas has since provided more than half of domestic energy needs. Because of Groningen, as well as more recent exploitation of offshore gas and a small amount of oil, the Netherlands has been a net exporter of energy, providing more than a quarter of the needs of West Germany, France, Italy, Belgium and Switzerland.

In the 1970s, a period of high demand and rising prices for the oil that gas prices are pegged to, the Dutch government relied on gas for 20 percent of its revenues. Yet it was still able to maintain a strict policy of safeguarding reserves for the future. Despite the wealth of Groningen and the expanding offshore production, the Dutch have signed contracts to import gas from Norway to ensure that the Netherlands would keep a 25-year supply on hand.

The doubts over that policy developed out of a changing world energy situation. Demand dropped sharply when Europe went into recession. Then, with the Organization of Petroleum Exporting Countries in disarray, the bottom began to fall out of oil prices, which in turn eroded the price of gas. Government revenues melted away at a time when the cost of social insurance and welfare programs was increasing.

The government also was worried about losing its share of a shrinking market to competitors, while there was political pressure from other Western governments for The Hague to hold on to its traditional European clients to limit the penetration of Soviet gas.

So the Dutch faced a critical decision on whether to stick by their strategic-reserve policy or open up



A nuclear power plant at Dordrecht.

the export contracts that were due in the 1990s. The dilemma was resolved two years ago, when the government revised its cautious energy policy and decided to extend agreements with European clients beyond the year 2000. Recently, Gasunie, the Dutch gas marketing agency, and major consumers such as West Germany's Ruhrgas have signed contracts that stretch to 2005 and 2010.

"We think of it more as a 45-degree turn rather than a reversal" of policy, said Rein Berner, gas director of the Economics Ministry. With 2 trillion cubic meters of proven reserves, he said, "we are still committed to keeping reserves of up to 30 years." But, he added, the variables behind that policy have changed. "A lot of other energy options, such as conversions and coal gasification, disappeared when the price of oil stabilized below \$30 per barrel. So the demand for gas fell. And secondly, our reserves proved a lot better than we had believed when the old policy was set in 1974."

The improved reserve situation was due partly to new discoveries and partly because of slumping sales. The government is naturally eager to shift that mix in favor of more new discoveries, in order to meet the anticipated decline in energy production during the mid-1990s. It is encouraging oil compa-

nies to bid for exploration rights in the higher-risk, deep-water areas of the Dutch sector of the North Sea.

"The main factor that makes Holland attractive is that companies know they will be able to get rid of any gas they find at a reasonable price that will never be higher than the oil alternative fuel," said Ban Warner, a Gasunie spokesman. Gasunie buys virtually all gas discovered in Dutch fields at a price linked to oil alternatives. Its policy is to maintain the Groningen field as a strategic reserve and give priority to exploiting the small fields of the North Sea. So, producers have a ready-made market in an environment that the government describes as relatively free of regulations.

But the Gasunie marketing plan also embraces the government's determination to diversify its energy sources in an effort to diminish reliance on gas. The most controversial alternative is nuclear energy, which now amounts to about 6 percent of domestic energy needs.

The government sponsored a nationwide debate to consider whether to expand its nuclear capacity. In the end, it ignored the final report of the debate committee, which recommended against expansion, and decided this year to start building nuclear power stations. It is a controversial move for the Christian

Democratic-Liberal coalition and a reversal of the policy that had made coal the principal alternative to gas.

The government argues that electricity generation is an inefficient use of gas and should be the prime target for conversion. As a backup to the nuclear alternative, the government has opted for importing some coal to feed power stations. It is not considering any increase in its imports of electricity from neighboring countries, preferring what it considers a more independent solution.

"Gasunie assumes that after 1990, all power stations will be either nuclear- or coal-fired," Mr. Warner said. "That will help bring the reliance on gas from well over 50 percent of energy needs to 45 percent."

The policy is based on the government's calculation that the net return on exported gas is higher than on gas used in electrical production. And the kilowatt-hour cost of producing nuclear or coal energy, officials say, is less than the cost of producing electricity with gas.

But considering the Dutch public's sensitivity about nuclear power, the government, in resolving the problem of how to preserve natural gas for future generations, has opened up a new issue over the alternatives.

— BRIGID PHILLIPS

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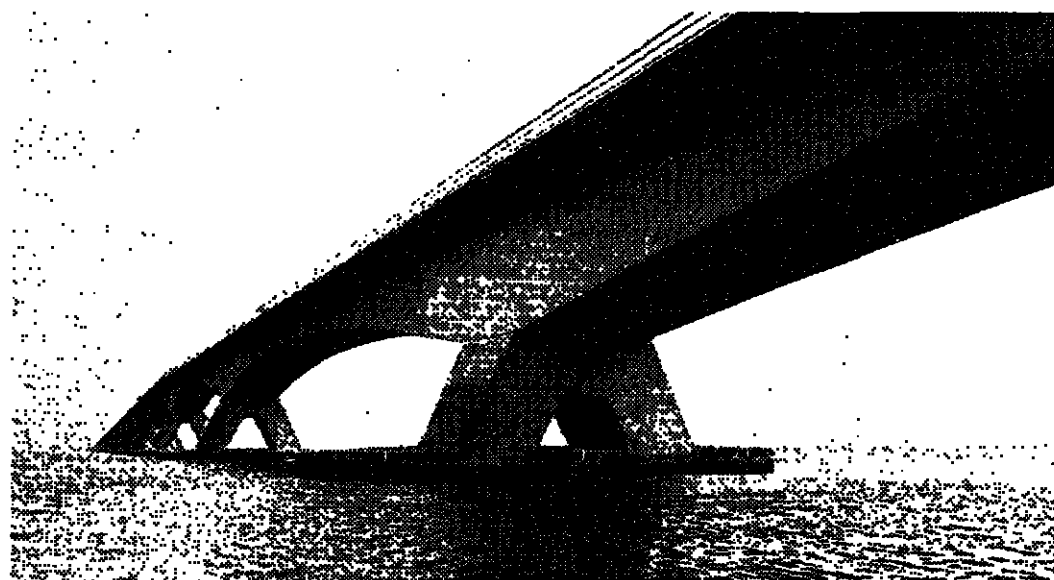
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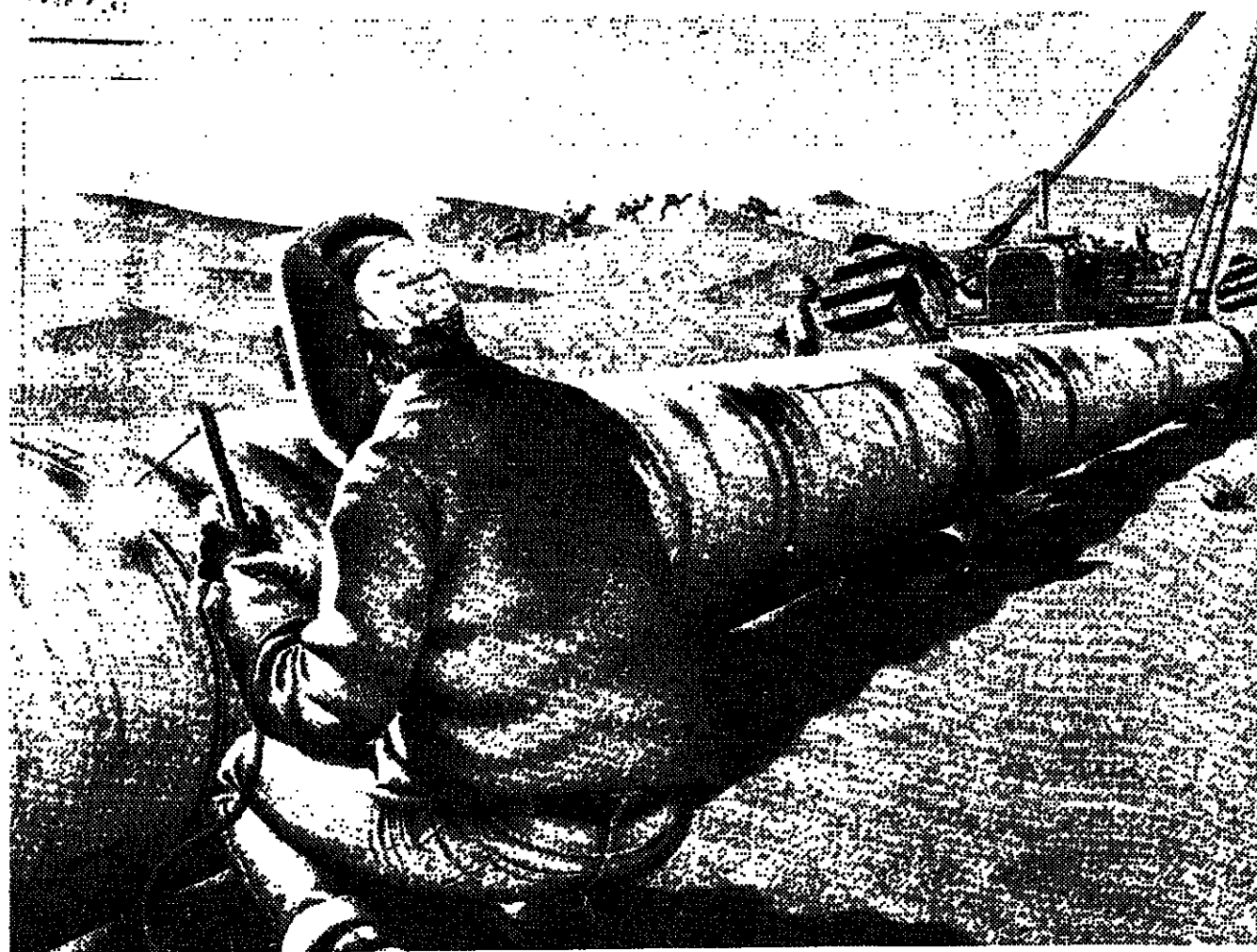
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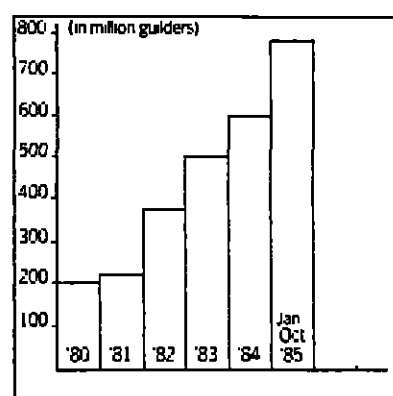
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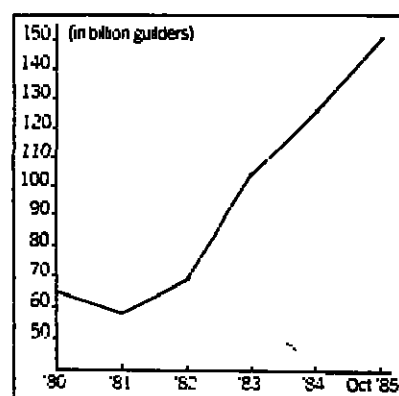
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## A SPECIAL REPORT ON THE NETHERLANDS

# Unemployment Clouds Economic Record

(Continued From Page 9)

cuts from 43 percent to 42 percent, following the reduction from 48 percent outlined in last year's budget, the government has reduced social welfare contributions, which, coupled with falling inflation, should allow taxpayers disposable incomes to grow by as much as 2.5 percent, the largest increase in seven years.

Now that no further corporate tax cuts are planned, the government has served notice that the onus is on Dutch companies to translate the revival in corporate profitability into increased outlays for investment purposes, an area that has lagged behind the rest of industry's turnaround, Mr. van der Graaf said.

According to statistics published by the Federation of Netherlands Industry (VNO), gross fixed investment has picked up, rising by more than a real 3 percent in 1984 compared with 1983 level, when the increase was only 0.7 percent.

During the recessionary period from 1980-1982, gross fixed investment had in fact declined, falling a cumulative 20 percent during that time, the VNO figures show.

Mr. van der Graaf noted that Dutch enterprises have considerably strengthened their competitive position on international markets, helping to bolster the surplus on the current-account balance of payments to an estimated 19 billion guilders (\$6.5 billion) this year compared with 16 billion guilders in 1984.

It is estimated that the surplus will decline slightly next year to about 17.5 billion guilders as revenues from Dutch North Sea natural gas sales begin to decrease.

A recurrently buoyant trade surplus has been the main element in the steep increase in the balance-of-payments position. Since 1980, when the Netherlands recorded a 5.3-billion-guilder deficit in trade, the balance has swung to successive surpluses, rising from 6.8 billion guilders in 1981 to 11.8 billion guilders in 1984.

As a result, the surplus on the current account, the reduction in the public-sector borrowing requirement and increased savings by industry have boosted the country's net foreign exchange reserves to a healthy level of more than 65 billion guilders.

"As a result of this policy, the trend of surging government deficits has been reversed and the profitability of the Dutch corporate sector is clearly recognized as a major achievement of the present government," Mr. van der Graaf said.

According to the Amsterdam-Rotterdam Bank report, Dutch exports will grow by 4.5 percent next year compared with 5 percent this year, while unit wage costs will remain low, rising by 1.5 percent compared with 0.5 percent.

A low level of domestic inflation

will also help keep Dutch goods competitive abroad in 1986.

In its 1986 budget proposals, the government projected an annual inflation rate next year of between 1 percent and 1.5 percent compared with 2.5 percent in 1985.

"Falling import prices and modest unit labor cost increases will both contribute to a further deceleration of inflation," the Central Planning Bureau noted in its outlook for 1986. "Average earnings in the market sector are projected to increase by 3.5 percent, reflecting some firming of the labor market and improved profit positions of firms."

Another government achievement, according to independent economists like Mr. van der Graaf, has been its success in tackling the broadening national budget deficits. While the government of Mr. Lubbers had trouble early in its administration of achieving the goal of reducing the deficit as a percentage of net national income to 7.4 percent by 1986, there are signs now that this may be reached.

The 1986 budget proposals provide for a further cut in the deficit by 0.2 percentage points from 8 percent of national income in 1985 to 7.8 percent next year.

"This is a notable achievement, when one looks back to 1982-83, when the percentage was nearer 10 percent and when one thought it would be impossible to reach the 7.4 percent target by 1986," Mr. van der Graaf said.

The government plans to bring public expenditure under tighter control in 1986, with cuts totaling 8 billion guilders and comprising savings in welfare benefits, ministry budgets and public employees' pay. This would be a slight reduction from this year's saving of more than 9 billion guilders.

The hardest-hit area will be social benefits, where basic welfare and disability payments will be frozen at this year's levels. Meanwhile, sickness and unemployment compensation will fall, bringing projected savings of up to 3 billion guilders.

In the three years since the gov-

## Origin of Gross Domestic Product

(million guilders, current prices at factor cost)

	1982	1983	1984
Agriculture, forestry and fishing	13 400	13 620	14 610
Mining and quarrying (incl. nat. gas)	24 860	26 090	29 770
Manufacturing	52 230	52 320	56 720
Construction	21 120	20 570	20 610
Electricity, gas and water (excl. nat. gas)	5 180	5 340	5 520
Transport and communication	19 760	20 040	20 870
Other private sector	115 030	120 030	123 630
Government	46 720	46 970	46 260
Gross domestic product at factor cost	298 300	304 980	317 990

Source: CBS, Nationale Rekeningen, 1984



Worker at DSM's chemical plant in Geleen.

ernment assumed office, social welfare benefits have been pruned by around 3 percent in real terms. Nevertheless, economists noted that the Dutch social security system is one of the most comprehensive among Western industrialized nations.

However, the ruling Christian Democrats, looking to next spring's election, have promised to safeguard public employees' wages and social benefits if they are re-elected.

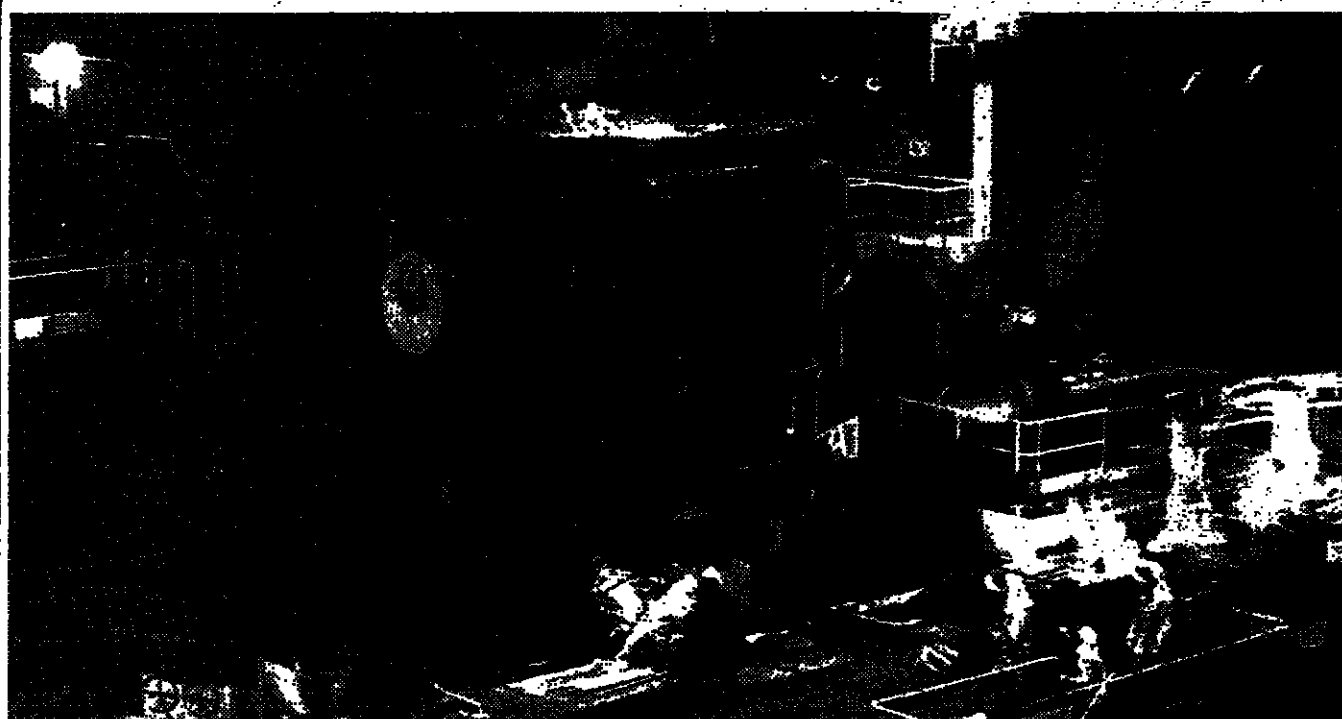
They have also pledged to reduce unemployment through new measures such as job-sharing plans and shortened working hours, and they have promised to trim the budget deficit to 5.5 percent of national income by 1990.

However, the gap left in the budget by sharply declining natural gas

revenues could upset any future government's budgetary calculations. The revenues are expected to drop by 28 percent in 1987.

The Amsterdam-Rotterdam Bank noted in its report: "The outlook for 1987 gives cause for concern. Revenue will decline then as the proceeds from natural gas start to diminish. Without further cuts in spending, the financing deficit would widen again, threatening partly to undo the improvement achieved during the last few years."

Revenues from natural gas sales account for one-sixth of the government's income, according to official statistics. A shortfall in this area, together with unemployment, could prove to be the decisive factors in shaping the course of the Dutch economy.



The new furnace at Hoogovens steel plant in IJmuiden.

## Cutbacks Begin in Generous Welfare State

(Continued From Page 9)

an official in the Ministry for Social Affairs. "And it has enjoyed a measure of support for that position." Or, as Wim F. Duisenberg, president of De Nederlandsche Bank, has said, "If we don't do something, in a few years we won't be able to pay out anything at all. We have to act now if we want to remain a civilized country."

The trimming has already started. Measures to reduce benefits took effect this year and the terms of some welfare programs were tightened. But the government is now pushing through a fundamental shake-up that will change the nature of the system. The Organization for Economic Cooperation and Development, in a comparison of its 24 member states, said that even with the reductions already in place, "the unemployment benefit system will remain the most generous. However, it is probably the lengthy duration of the unemployment benefits and the generosity of the eligibility criteria that sets this apart from systems in other OECD countries." (The OECD groups 24 industrialized, noncommunist nations.)

That is the first problem the government addressed. By streamlining cumbersome unemployment-

insurance legislation into one new law, the nature of benefits has changed. The plan will be financed totally by employers and employees. The 80 percent of the last wage an unemployed person got under the old system would be reduced to 70 percent of the last wage for the first six months out of work, with phased-in reductions to 70 percent of the minimum wage. There is a second proposed law to boost these benefits for those who are below a certain standard, but that supplement will be paid for by the government.

"We wanted to make a clear distinction between the responsibility of society as a whole to maintain a minimum standard and the workplace responsibilities of employers and employees," said Mr. Ruys, who helped draft the new legislation.

There would be a loosening of the means test for old people so they do not have to count savings and investments, such as a house, as assets, but the new rules would also redefine what constitutes a household. Unmarried persons of either sex who live together permanently would no longer get two individual assistance incomes but would receive benefits as a single family unit.

The most drastic change is a new disability insurance bill that would save some 3 billion guilders (about \$1 billion). The benefits have been reduced and the slack terms for disability have been replaced. "In the past, nobody denied that the system was easy to take advantage of," Mr. Ruys said. The program allowed employers to shove aside excess workers, who then got 80 percent of their salary until retirement at age 65. Some 700,000 people are now collecting the benefits.

Both employers and employees have criticized the mechanisms proposed in the government's revised social security system, but both are willing to negotiate some changes. That represents a surprising degree of consensus in a country that for 60 years has been philosophically and legally tied to broad social welfare. The government is so convinced that the changes are popular that it is pressing for adoption of the new legislation before elections next May.

Part of the consensus, Mr. Ruys said, is that "the political leaders have promised that we have reached the limit of reductions." The government still supports artists, for example, by buying their works out of public funds. Rights for squatters are still a solid ele-

ment of the housing program, which allows unoccupied buildings to be taken over by vagrants, and the government often also pays to refurbish the buildings.

"We have kept the philosophy of the system and just changed the terms," Mr. Ruys said.

Union leaders support the government's goal of restoring economic growth, which has hung consistently below 1 percent. "There has been more consensus than one could have imagined, given the social climate," said a leader of the Netherlands Trade Union Confederation. "We envisage cutbacks and just want to make sure they are applied evenly."

Therese Snelkers, a social-welfare analyst for the Federation of Dutch Industries, an employers' group, said that despite feeling burdened with the cost, industry is content with the government proposals and is not planning to push for further reductions in the social support system.

"Welfare is a very difficult thing to change in a country like Holland," she said. "Partly because of the philosophy here and also because there is an enormous income effect. But with social security, everybody recognized that we had to find a system that we can pay for and control in the future."

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## Government Faces Accounting Over High Unemployment Rate

By Michael Metcalfe

AMSTERDAM — With nearly one out of five persons in the Netherlands without a job, the center-right coalition's record in fighting unemployment during its three years in office will prove a major issue in next May's national elections.

At stake will be the government's November 1982 pledge to reduce jobless levels, one of the key planks of its three-part platform to cut public expenditure and foster private industry.

According to economists, labor union officials and employers, the administration, while succeeding in revitalizing Dutch industry and deflating the ballooning public sector, has yet to resolve the problem of unemployment.

The jobless rate, at around 16 percent of the total work force of 5.3 million, ranks among the highest of the Western industrialized nations, according to the Paris-based Organization for Economic Cooperation and Development.

Since the mid-1970s, the Dutch economy has been characterized by poor growth performance, accompanied by worrying imbalances, including low profitability in the non-agricultural sector, a burgeoning public-sector deficit and a rate of unemployment well above the OECD average, the organization noted in a recent report.

While the report added that most of these problems have been redressed, the level of unemployment remains a problem.

"In summary, economic conditions would appear to be improving with a modest rise in output, continuing excellent price performance, an improved competitive position and a stabilization of unemployment. Despite this, the level of unemployment remains very high," the OECD observed.

One glimmer of hope for both the government and the unemployed are indications that the hump in unemployment has been passed and a moderate decline has set in.

According to figures released by the government in September, when the budget proposals for 1986 were presented, unemployment next year will not edge beyond this year's expected total of 765,000. This is itself an improvement over 1984 levels, when about 830,000 were without work.

The OECD noted: "Unemployment has averaged about 825,000 during 1984 but has been falling gradually for much of the year. Compared with the peak level in early 1984, unemployment had fallen by about 70,000 by the end of the year."

However, a large part of this decline is due to technical factors, including a change in unemployment registration so that persons aged 57½ or over are now exempt

from the statutory obligation to register when they lose their jobs.

Disenchantment with the high rate of unemployment and the government's apparent inability to tackle the question has ignited labor unrest in a country traditionally known for its harmonious industrial relations.

During its three years in office, the government has witnessed a spate of strikes in both the public and private sectors to protest its austerity measures, which are seen by union officials as curtailing social benefits and reducing purchasing power.

A year ago, more than 10,000 members of the 937,000-member Netherlands Trade Union Confederation (FNV) staged a series of strikes and walkouts affecting companies in the private sector.

Moreover, the government's decision to cut pay by 3 percent in the public sector starting on Jan. 1, 1984, led the country's 700,000 public employees to begin a campaign of strikes and work-to-rule measures. That campaign gradually simmered down to an uneasy truce.

The announcement in September's 1986 budget that civil servants' pay would again be frozen, the fourth consecutive year in which public-sector employees' salaries have either been cut or held steady, has so far prompted little protest from the unions.

"Employees may well vent their frustration in the ballot boxes next May, rather than going onto the streets," said an FNV official.

Another cause for resentment among the labor rank and file has been the rate of wage increases, which has slowed markedly since the adoption of a two-year wage agreement in the private sector at the beginning of 1983.

Under the agreement, indexation payments were suspended in favor of a reduction of working hours, which is expected to amount to about 5 percent and which was introduced early this year. Some enterprises had already reduced working hours before this date.

During the most recent round of wage negotiations earlier this year, most employers refused to commit themselves to a further reduction of annual working hours in 1986, causing talks to break down in several industrial sectors.

However, reducing work time has been officially sanctioned by the ruling Christian Democrats as part of their campaign platform and as a means to combat the high unemployment levels. Another goal of the Christian Democrats, the senior partners in the present coalition, is increased job-sharing if they are returned to office.

Increases in real disposable income have also been dampened by the government's decision to change current unemployment and

sickness benefits. The existing regulations prescribed that any employee temporarily incapable of work would receive 80 percent of his normal daily pay.

Moreover, as the Federation of Netherlands Industry noted in a recent report: "No social security contributions had to be paid and employers in most collective wage agreements had agreed in case of sickness to pay supplementary benefits up to 100 percent of last earned income after tax."

These regulations have now been altered so that social insurance contributions must now be paid. Benefits are to be reduced to 75 percent this year and to 70 percent in 1986.

Economists and company executives noted that one major factor working against the government's fight against unemployment is time.

Government measures, such as the two-phase reduction in corporate taxation and the provision of incentives to improve industry's profitability, take time to translate into new jobs. Industrial investment is only now beginning to pick up after years of sluggish activity and work-place cutbacks.

The OECD report said: "The reduction in average hours worked in addition to the severe labor-shedding from 1981 to 1983 may now have brought the number of workers employed in that private sector closer to desired levels. And while labor-shedding may continue in certain sectors, some rise in employment may occur."



Help-wanted sign on an Amsterdam street.

## New Trade Center Wants to Be Hub Of the Big Wheels

By George Gudauskas

AMSTERDAM — Queen Beatrix has officially opened the World Trade Center Amsterdam, a glittering complex of four office towers with a network of business services contained in 110,000 square meters of space.

About 500 guests, along with Prime Minister Ruud Lubbers and Mayor Ed van Thijn, were on hand Oct. 25 for the ceremonies, during which the queen wielded a camera instead of ribbon-cutting scissors to mark the occasion.

The center, which unofficially opened early last April, is 75 percent occupied, according to Odette G.M.J. Taminiau, the public relations manager of the Amsterdam Tourist Office. Space rents from 308 guilders (\$106) a square meter a year, and minimum temporary or permanent rental is 60 square meters (73 square yards).

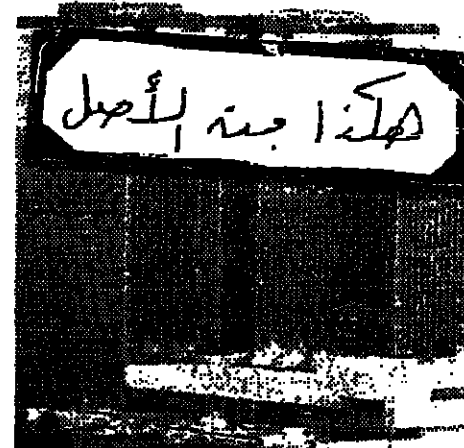
The complex is billed as a hub of worldwide business activity, with Amsterdam as the "gateway to Europe." Schiphol Airport is minutes away, as is the efficient fast-train link to The Hague and Rotterdam. A major highway is nearby.

With its blue-coated, hardened-glass parapet, the structure has been affectionately dubbed "our little Manhattan" or "The Blue Angel," the latter name taken from a café operating in the complex.

The project took two-and-a-half years and 330 million Dutch guilders to build, according to Bob Gisbergs, commercial manager. Financed by two pension funds, one government and the other public, profits from the center go to these funds, he said.

Asked what he thought the center would bring to the Netherlands, Mr. Gisbergs said, "I think it will give us more opportunity to export and to make other connections in the world." Half of the tenants, he said, are foreigners.

The center, with two towers of 12 floors each and a pair with 17 floors each, has a connecting



The World Trade Center.

building housing services and facilities, including parking for 1,200 cars. There are an international courier service, a post office and information and travel services.

Professional advisers are on call to answer questions concerning international trade, customs regulations, transportation of goods, market orientation and investment.

A central secretariat also is available to help with conference rooms, exhibition facilities, temporary personnel, tickets, visas, interpreters, consultants and couriers.

International television and radio links are possible, too, from the complex's press center, and an electronic mail system can speed messages to visual display terminals across the world.

The complex has seven executive studios, containing fully equipped work and rest areas with showers and toilets.

The studios were designed to cater to business executives arriving at the airport after a long flight who want to freshen up and rest before starting to work. Room service is available from the bar or restaurant.

The complex also contains a shopping arcade and a restaurant, café and coffee shop.

# Winners take all.

U.K., Gold Medal, Birmingham, Motor Show, October 1984

France, Prix de la Sécurité, March 1985

Germany, Golden Steering Wheel, November 1984

Ireland, Irish Car of the Year 1984, December 1984

Denmark, Danish Car of the Year 1985, December 1984

Norway, Norwegian Car of the Year 1985, December 1984

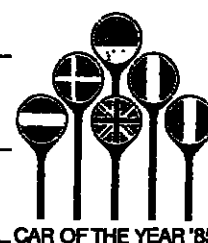
Spain, Import Car of the Year, January, 1985

Spain, Ladies Car of the Year, January, 1985

Belgium, Golden Claxon, January 1985

Italy, La sportiva dell'anno, January 1985

Europe, Car of the Year 1985, November 1984



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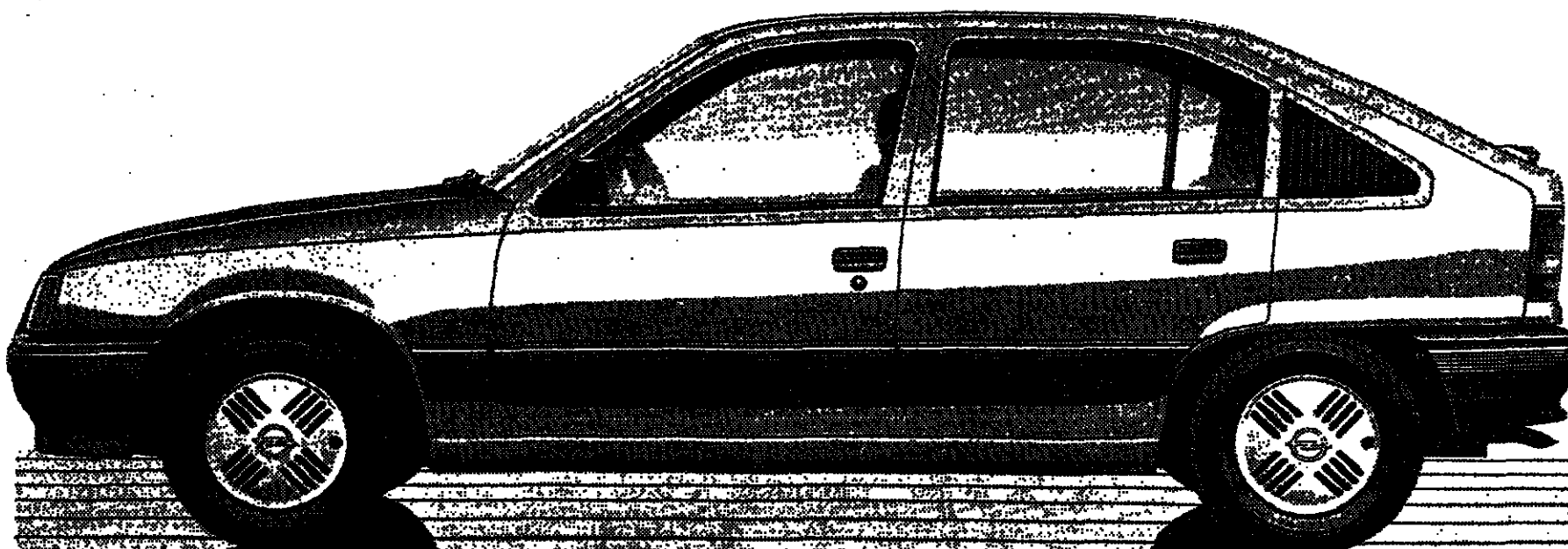
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## A SPECIAL REPORT ON THE NETHERLANDS

## After Slump, Industry Begins to Pick Up

By Michael Metcalfe

ROTTERDAM — Dutch industry is enjoying a renaissance, reaping the rewards of improved profitability, lower taxes, full order books and increased market shares. Less than five years ago, the Netherlands was being judged among the worst performers of the Western industrialized nations, laboring under an oppressive tax burden, declining capacity utilization and stagnant market penetration. The Organization for Economic Cooperation and Development has noted repeatedly that the fixed-investment record of Dutch industry was one of the worst of the organization's 24 member countries.

"This outcome can be attributed to a particularly unfavorable combination of depressed profitability in the nonenergy sector, shrinking home and stagnating foreign markets and sizable excess capacity," the OECD noted last year.

Now, that picture is changing. Fixed investment is on the upswing, capacity utilization is steady

returning to top gear, exports are booming and corporate profitability is back on track. With trade accounting for 60 percent of gross national product, compared with 30 percent for West Germany and Britain, for example, the Netherlands has every reason to emphasize trade and industrial performance. During its decade in the doldrums, Dutch industrial weakness was partly responsible for the large deficits in the country's trade balance. Since 1980, however, that balance had swung into surplus, rising from 6.8 billion guilders (\$2.3 billion) in 1981 to 11.8 billion guilders in 1984.

But industrial performance has still lagged behind steady and discernible improvements elsewhere in the economy.

According to economists, sizable annual surpluses on trade and current account, relatively low inflation rates and wage and price restraint, while laying the foundations for a favorable trend in Dutch industry, were clearly not enough to make it more competitive and robust.

Dutch industry has its own answer to explain what was needed. C.J.A. van Lede, the president of the Netherlands Industry Federation (VNO), said recently: "What was required primarily was restoration of corporate profitability and eroded equity structures. Whetting Dutch industry's competitive edge through cost restraint and industrial restructuring was a primary condition of this."

Moreover, according to the federation, industry struggled under the burden of overbearing government regulation with little consideration for market forces.

The result was a continuous whittling-away at profits, which in turn meant a decline in investments and produced the net outcome: an unemployment rate that is one of the highest among Western industrialized countries.

But, as VNO noted in a recent report: "For some years a gradual but clearly discernible change in views and attitudes has been observed in the Netherlands with regard to the role of private industry and the market mechanism."

First, the report said that a consensus now prevails on the necessity of a profit-making industry as a prerequisite for a healthy economy. Second, a trend toward less government intervention and more deregulation is evident. The report added:

"After more than a decade in which successive governments frequently intervened in income formation by means of statutory controls, wages are now being determined in negotiations at plant and industry level without any form of government intervention and without recommendations from the central organizations of employers and labor."

Aside from these considerations, perhaps the most important single factor contributing toward Dutch industry's improved performance has been the present government's positive attitude toward the sector, industrial analysts in Rotterdam said.

Since taking office three years ago, the center-right coalition has sought to revitalize industry by progressively lowering corporate taxation levels and by abolishing regulations that impeded business activities.

"Cutting corporate tax from 48 to 43 percent, with a further reduction to 42 percent envisaged in the budget proposals for 1986, has been a notable government achievement," said Rob van der Graaf, chief economist at the Algemene Bank Nederland.

The cabinet has also moved to strengthen industry in other ways. These have included reducing industry costs in three annual stages by up to 2 billion guilders in each phase, including lowering employers' social insurance contributions.

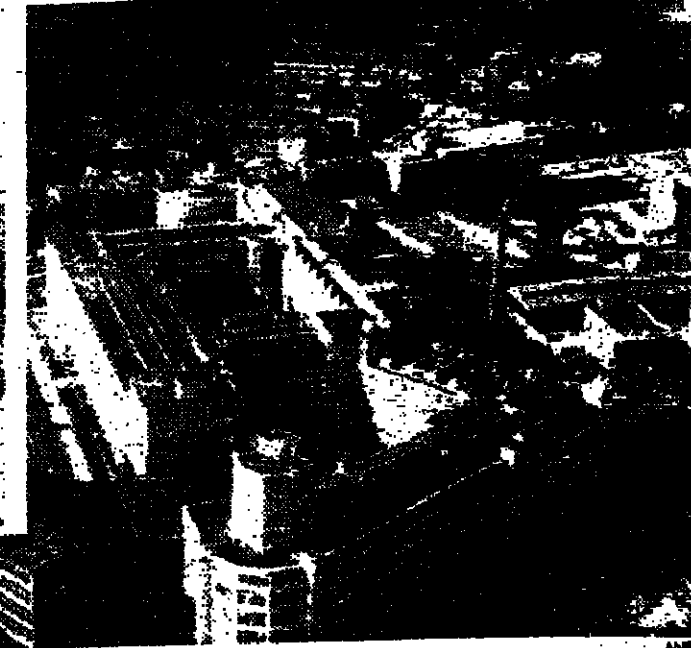
"This measure is a good example of how the government has sought to revive the supply side of the economy, which is viewed as an essential condition to get investment moving, especially investment that would provide jobs," Mr. van der Graaf added.

The government also is boosting the creation of private venture-capital enterprises and the establishment of a public corporation for industrial projects to provide risk capital on a commercial basis.

Under the government's techni-



A ship is launched at Van der Giessen de Noord, left; a Philips factory.



## Shipbuilders Try to Stay Afloat

By Friso Endt

GRONINGEN — On Nov. 9, the queen of the Netherlands broke a bottle of champagne against the bow of a new 30,000-ton ferryboat just before it glided into the waters of the IJssel river a few miles east of the world's busiest port, Rotterdam.

The monarch named the ship after herself, Queen Beatrix. The boat is destined for the Hook of Holland-Harwich line and was built at Van der Giessen de Noord, the most advanced covered shipbuilding yard in Western Europe. Its workers lined the launching path. They had an air of sadness about them since this ferryboat could be the last middle-class ship to be built in this giant shipbuilding hall.

When the hall was inaugurated nearly three years ago by Economics Minister Olof van Aardenne, it involved an investment of 135 million guilders, of which 87 million guilders was a direct subsidy from the government.

At the time, Mr. van Aardenne was already aware that every ship built in the yard would have to be subsidized to at least 60 percent by the government. He also knew that in spite of this Korean shipyards were already undercutting the Dutch by 30 percent.

The Dutch thought that the hall would enable them to reduce costs by about 30 percent, since delays in building due to the rough Dutch winter would be avoided.

But two-and-a-half years later, the management of Van der Giessen de Noord was again bidding for a direct support of 100 million guilders. The Koreans and the Taiwanese had again undercut Dutch prices and world competition had become even worse.

Mr. van Aardenne denied the request for the 100 million guilders. He had to do so mainly because

public opinion had changed in the last year.

Last summer Dutch public opinion was confronted nightly with what was nicknamed the "RSV television show." For two months the Dutch watched the hearings of an unusual parliamentary investigation into the bankruptcy of the Netherlands' large conglomerate Rijn-Schelde Verolme, a shipbuilding and machine concern. It had absorbed over the years at least 2.8 billion guilders to keep it afloat in order to avoid layoffs.

Its closing meant the end to large Dutch shipbuilding in general, and the sophisticated Dutch know-how in this field went astray — or abroad.

As Jan U. Smit, president of the board of Van der Giessen de Noord, said bitterly: "The RSV drama gave a golden opportunity to our competitors elsewhere in Europe, in Korea, Japan and Taiwan. They spread the rumor that not only large but also middle-class shipbuilding in Holland is over and done with. And that is not true."

His complaints might be justified, but the fact remains that Mr. Smit also admitted that future orders for the giant shipbuilding hall of his company will have to be for small ships — up to 10,000 to 15,000 tons. That is not the market for which the hall was built, and so heavily subsidized. And, especially in the Netherlands, the market for small shipbuilding suffers from tremendous competition and undercutting.

McKinsey and Company, a consultancy firm, in a report to the Economics Ministry showed that until 1986 at least 250 million guilders will have to be pumped into this sector to avoid a 20-percent drop in employment.

The report concluded that even with this support 1,300 of the 5,500 shipbuilders in 27 shipyards will have to be laid off.

In another report, the Netherlands Economic Institute concluded that, despite bad times and bankruptcies, Dutch shipbuilding in general has realized an annual growth in productivity of 7.5 percent. That is mainly in small shipbuilding.

The institute also noted that Dutch shipbuilding is now the cheapest in Europe after Sweden. Against this McKinsey argued that in world shipbuilding all West European yards are about 30 percent more expensive than their competitors in Asia.

Based on these reports, Mr. van Aardenne decided this spring that general support for the shipbuilding industry as a whole will end and that only "selective" support will be continued. The 27 small shipbuilders in the north of the Netherlands, mainly in the province of Groningen, welcome the decision of the economics minister to stop the subsidy to the sailing Van der Giessen de Noord.

Their companies are generally healthy although in the worldwide competition they cannot miss the help of the government to match prices in countries like France and Italy where government support is as much as 45 percent to 50 percent.

One of the Netherlands' most successful small shipbuilders is Kommer Damen from Gorinchem, who owns yards in the center and in the far north of the Netherlands. He owes his success to the introduction of prefabricated bows for tugs, police patrolboats and fireboats.

His prefabricated way of building gives him advantages in speed, price and time over his competitors. Damen does not agree with the government's decision to stop subsidizing an ailing shipbuilding industry.

"One should subsidize us so that we can beat the hell out of our competitors," he said.

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# Growers Using Computers to Stay on Top of the Flower Market

By George Gudauskas

NAALDWIJK — Lies van der Wel stood in his vast greenhouse and said, "I always have to bring in perfect flower, or I get less money."

This simple statement by a grower of flowers in this 3,415-acre (5,400-hectare) expanse of glittering greenhouses known as The Glass City epitomizes the object of horticulturists throughout the Netherlands: to produce superior quality products so they can earn a living and also remain at the top of the world market.

But the process goes way beyond man dabbling in the earth to grow things to sell.

"It is more like a factory," Mr. van der Wel told a visitor to his computer-controlled greenhouse, a metal-ribbed structure paneled with glass. "It is not a garden."

Yet, thousands of chrysanthemums grow in Mr. Van der Wel's "factory" year-round under computer monitoring of everything from sprinkling and fertilizing to lighting and climate—to help meet demand.

Last year alone, 369 million chrysanthemums were raised in the Westland, the largest area devoted to growing horticultural products under glass in the world, with 3,200 greenhouses or nurseries.

The Westland is second only to the Aalsmeer region in producing and auctioning cut flowers and plants for a world market. Tomatoes, lettuce and cucumbers are also grown in the Westland.

The world market of cut flowers and pot plants is valued at up to \$3 billion Dutch guilders (\$1.8 billion) a year, and the Netherlands is averaging 57.5 percent on sales of these two exports, according to official estimates.

Specifically, the Netherlands claims 66 percent of the world's exports of cut flowers, valued at \$3.5 billion a year, and 49 percent of the world's exports of plants, worth 1.8 billion guilders a year.

Exports of flowers have tripled since the middle of the 1970s, according to official figures, while exports of pot plants have expanded tenfold in the same time.

The growth of bulb exports has increased, too, up from 195 million to 872 million guilders over the last decade. Two-thirds of the trees sold are marketed abroad. In 1984, their value was put at 350 million guilders.

This seems astonishing, considering that this production is accomplished with less than 6 percent of the Dutch work force. The 63,000 workers, 20,000 of whom are growers, account for 25 percent of the country's overall exports.

The most important export areas for Dutch plants and flowers include the European Community countries, which last year took 78.5 percent of the market, worth 2.5 billion guilders.

The rest of Europe followed with

**'It is more like a factory,' van der Wel told a visitor to his computer-controlled greenhouse, a metal-ribbed structure paneled with glass. 'It is not a garden.'**

an 11.2-percent share, worth 355 million guilders. North America was third, with a 7-percent share, worth 222 million guilders.

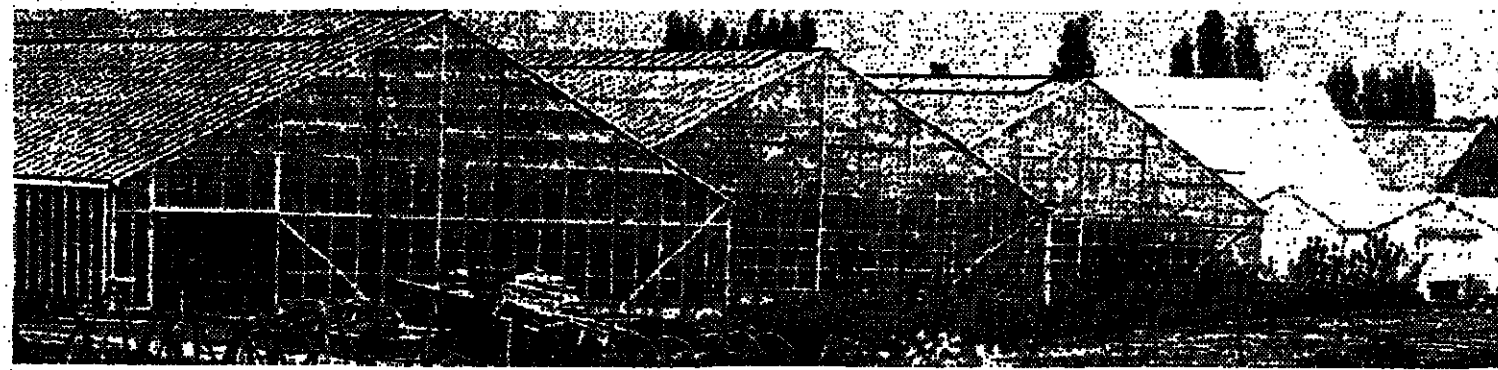
The most important foreign customers were West Germany, with 1.7 billion guilders in purchases in 1984 and a 52-percent share of the market, followed by France, with a 351-million-guilder turnover and an 11-percent share, and Britain, with 213 million guilders in buying and a 6.7-percent share.

The United States, with 189 million; Italy, with 135 million; and Switzerland, with 128 million, also rank high. The United States had the largest increase in consumption between 1983 and 1984, surging 59 percent on a 4.3-percent to 6-percent rise of the market share.

Italy and Britain also recorded dramatic increases, 34 percent and 28 percent respectively, as did Denmark, up 30 percent.

Explaining the increase in the United States, Dr. F. J. B. Bruins, deputy director of international economic affairs for the Dutch Ministry of Agriculture and Fisheries, said, "Nearly every year we have doubled our export on flowers and flower bulbs to the United States. But we have started from very low."

"In general," he said, "we can say last year we had an export of about 200 million guilders to the United States on flowers and flower



percent air, is essential to growing in a soilless culture, a method also known as hydroponics.

Little black tubes feed water and nutrients to the rockwall containers, which hold sturdy-looking plants that then bear tomatoes and peppers that Mr. Marrewijk considers superior.

Mr. Koop, engineer of the Westland demonstration project, said that 50 percent of all vegetables and 25 percent of all flowers raised in the area are grown in this fashion.

Hydroponics can improve quality, Mr. Koop said, and increase production by 15 percent.

In fact, a tomato plant can be grown in a teacup of rockwall, though the project leader said it is ill advised to do so.

Hydroponics also allows the grower to "manipulate" his product better, according to Mr. Koop, and some energy savings are also

bulbs, and this year we expect far over 300 million guilders."

Heavy promotion and the speedy and efficient Dutch auctions—12 of them exist for flower sales alone—play big parts in the reason for the increases. The gains have not come without problems, however.

A rose association in the United States complained to the U.S. government about the import of the leading Dutch flower, in part, Mr. Bruins said, because of their lower price in the United States.

Also, a panel to protect U.S. agriculture from foreign pests and diseases scrutinized the Dutch growing system to see how well it worked.

The panel's report last August was favorable, according to Mr. Bruins, who said, "Well, that says something we like very much, because we are such an enormous exporter that we have to fulfill all the requirements," to guard against the risk of exporting pests and diseases to other countries.

He said, "That's the reason we are very eager that what we are doing—the control—be very efficient and as good as possible."

That control, and intense efficiency, come with the aid of the computer in Dutch horticulture.

Luppo Mulder, deputy secretary for horticulture of the Industrial Board of Agriculture, said computers are used not only for climate control in greenhouses, but in their administration, too, "for all the figures."

Computers are also used in research and experimentation. A huge one plugged in at a Westland demonstration project is designed to test alternative greenhouse roofing systems, establish energy-saving potential, and evaluate the best production methods in tightly sealed greenhouses.

Mr. Mulder said that computers

have been in use "for the last seven to eight years" in the Netherlands, and Look Koop, who heads the Westland demonstration project, said that "80 to 90 percent of all growers" use them to some degree.

Not only are computers used to aid growers with their greenhouses and their business records, they are employed to maintain contact among growers, auctions, research stations and even accountants.

Computer use is aimed at reducing production costs and improving the quality of the produce grown, according to horticultural authorities like Mr. Koop.

"It is no exaggeration to say that the computer has become the right hand of the Westland grower," is the way Westland area promoters put it.

Nowhere is the computer more in evidence than at the Dutch auctions. There a host of important details must be determined before a product can be sold and shipped.

Time and speed are paramount, and computers handle both well, putting buyer and product together only 15 minutes after a sale.

Auction computers register buyer identification numbers, lot numbers, grower I.D. numbers, prices and quality of packing material. They even print out distribution slips and invoices, while also listing details of buyer and grower accounts and maintaining important statistical data for all.

Ab Marrewijk, who grows peppers and tomatoes in "soilless culture" in the Westland, also uses a computer to feed and water his 28,000 plants in his 35,520 square foot (3,300 square meter) greenhouse.

His computer-managed operation looks no different from the one run by Mr. van der Wel to grow his chrysanthemums, except where cultivated earth would be there are plastic-wrapped, oblong containers

holding rockwall, a volcanic material.

This "neutral" material, which contains 70 percent water and 30

## Everything Under the Sun Except the Sun

AMSTERDAM — Tourism for the Dutch is more than providing food, lodging, transportation and entertainment for holiday travelers — it is an essential part of the economy.

Proceeds from tourism, both domestic and foreign, amount to 26 billion guilders (\$8.6 billion) a year, 11 percent of total consumer spending. Tourism provides 230,000 jobs, or about 6 percent of the work force, in a country with 14.4 million inhabitants.

While these figures are impressive, they conceal a problem: Tourism is producing a negative spending balance for the Netherlands.

Part of the problem is that "international tourism has been unstable since the beginning of the decade," the Paris-based Organization for Economic Cooperation and Development said in an October report. Although recent signs point to improved trends, growth rates are not expected to match those of the 1970s, the report said.

The other part of the problem lies with the Dutch themselves. They spend more abroad than the millions of foreign tourists here, according to the Netherlands Board of Tourism.

With figures supplied by De Nederlandsche Bank NV, the tourism board said last August in a booklet, "Tourism in Tangible Figures," that the Dutch had a deficit of 4.8 billion guilders in 1984.

Money coming into the country last year totaled 4.9 billion guilder,

up by more than 22 percent over 1983. But spending by the Dutch for travel stood at 9.7 billion guilders, a 2.8-percent increase. The figures represent an 8.5-percent improvement over 1983, when the deficit was 5.2 billion guilders.

The tourism board has drawn up a five-year plan to turn the unfavorable balance around. The board will promote short trips and second vacations among travelers from neighboring countries. For other European countries, the board will direct its efforts at the travel industry.

In the so-called long-haul markets, the United States, South America, the Far East and Australia, the board aims to encourage group, meeting and incentive travel.

Willem B. Schouten, spokesman for the board, said that financial support for the promotion comes from the tourist industry and the Ministry of Economic Affairs. This year, it amounted to 41 million guilders, supplied by the government and 15 million guilders by the industry. In 1986, it will rise to 45 million guilders, with 28 million from the government and 17 million from the industry.

At the end of five years, the goal is to have the industry and government split assistance on a 50-50 basis, Mr. Schouten said.

The focus of the strategy is to increase the length of time foreign travelers spend in the Netherlands,

a continuing problem in a country known as the "gateway to Europe." For tourists from the United States, the average stay is 1.8 days. The average length of stay for all foreigners is 2.4 days.

"Two-point-four is not long. I would say, if you compare it with France, that that beautiful weather over there," Mr. Schouten said. The goal is to try to boost the short stay to about a week. "I mean, that's our goal but I don't think that we will succeed," he added, citing weather factors.

Travelers visit the Netherlands for its cultural, geographical and historical interests and not for its climate, he said.

A tool the tourism board will employ to attract visitors will be "incentive travel," which Mr. Schouten explained as a reward someone gets for doing a better job.

He said: "You give them, instead of a gold watch, travel with their wife for a week to a certain destination with all the incentive aspects of it. All free. The most beautiful hotel, the girls in local dress awaiting them on arrival at Schiphol Airport, the dinner in a mill or castle, the cheese-factory visit."

"Let them be received," he said, "by a baron and baroness."

Not only is the business of promoting tourism going on at the national level, it is bubbling locally, too. It is especially noticeable in Amsterdam, a contender for the 1992 Summer Olympic Games. "Welcome, welcome, welcome,"

is the motto of Amsterdam, said Odette G.M.J. Taminiau, public relations manager of the local tourist office.

She said that Amsterdam is promoting a special winter package offering reduced rates on hotels, free entry to museums and other enticements to lure travelers to the city between Nov. 1 and March 31.

The image of Amsterdam is changing, she said, from that of a "very tolerant city" to one of a center with cosmopolitan allure. Problems of traffic, safety and cleanliness are getting new attention.

But, for many travelers, finding a bed is their biggest worry on arrival. That will be less of a problem in the future. Four new hotels are going up and three are expanding, adding 2,000 beds to the existing 20,000.

— GEORGE GUDAUSKAS

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# Foreign investors are welcome in The Netherlands















## BUSINESS ROUNDUP

## Potlatch Re-Buys Stock From Belzberg Firm

**The Associated Press**  
SAN FRANCISCO — Potlatch Corp. said Tuesday that it had bought back the 1.1 million shares of its stock held by First City Financial Corp. and that First City had agreed not to renew a takeover bid for Potlatch for five years.

Potlatch, a lumber and paper products concern, also said it had bought 1.3 million other Potlatch shares since Monday under a stock-repurchase plan it launched to try to thwart First City's takeover bid of nearly \$700 million.

Potlatch said Monday that it would buy back up to 3.1 million shares, or 20 percent of its stock. Potlatch also said it had agreed to pay about \$1 million to First City to cover expenses it incurred in the takeover bid, and First City agreed to dismiss a suit it filed against Potlatch last week.

First City, which is controlled by the Belzberg family of Canada, had offered to buy all Potlatch shares at 45 a share.

## BASF Said to Plan U.S. Restructuring

**International Herald Tribune**  
FRANKFURT — BASF AG, the chemicals group, having embarked on a series of major U.S. acquisitions totaling an estimated \$1.7 billion, is expected to announce this week a major reorganization of its U.S. subsidiaries, according to BASF officials.

Details were not provided, but the reorganization is expected to involve Immut Corp., acquired last May from United Technologies Corp. for \$1.13 billion, as well as three subsidiaries of Celanese Corp. and an American unit of the Dutch chemical group NV Akzo.

BASF, which has benefited from coming U.S. sales in the past two years, hopes to integrate its new acquisitions with existing U.S. operations, centered on BASF America Co. and Wyandotte Corp., both based in Parsippany, New Jersey.

## GM and BL PLC Discussing Link

**Agence France-Press**

LONDON — General Motors Corp. and Britain's state-owned BL PLC are discussing the possibility of merging their operations in Britain to produce commercial vehicles, a GM official disclosed Tuesday.

J.T. Battenberg 3d, general director of Bedford, GM's British affiliate for commercial vehicles, said talks between the two had been under way for several months. While he refused to comment on their likely outcome, industry analysts said the negotiations had reached an advanced stage.

Some said the companies are discussing either a takeover of Leyland Vehicles, BL's truck and bus affiliate, by Bedford or some type of large-scale joint venture.

## COMPANY NOTES

Allied Mills Ltd. is valued at \$66.13 million Australian dollars (\$245.7 million) in a 350-dollar-per-share takeover bid to be made by Minor Holdings Pty., stockbroker A.C. Goode & Co. said. The offer will counter a 5-for-4 share exchange proposed by Fielder Gillespie Davis Ltd. to acquire both Allied and New Zealand's Goodman Group Ltd.

American Telephone & Telegraph Co. introduced a communications system that enables a computer user at a terminal to link up simultaneously with as many as four other computers. The 6500 system is compatible with International Business Machines Corp.'s 3270 system.

Aspen Orient Petroleum Co. said it had signed a contract with China National Offshore Oil Corp. to explore for oil in the South China Sea, about 140 miles (226 kilometers) southeast of the Shenzhen special economic zone.

Bilfinger & Berger Bau AG said it expected to complete 3.4 billion Deutsche marks (\$1.33 billion) of construction work in 1985.

Hyundai Corp.'s subsidiary Hyundai Electronics Industries Co. has closed its U.S. semiconductor factory because of losses estimated by industry sources at more than \$500 million.

Scottish & Newcastle Breweries PLC's proposed merger with Matthew Brown PLC would not be against the public interest, the British Monopolies and Mergers Commission found. Scottish & Newcastle's bid of about £100 million (\$142 million), resisted by the Matthew Brown board, automatically lapsed when it was referred to the commission in April.

Spanair SA, the Spanish charter airline, is negotiating the sale of a majority equity stake to a foreign airline or financier, a company spokesman said.

Swiss Volksbank plans to strengthen its Eurobond underwriting and trading activity and to move into foreign-currency lending with the opening of a branch in London, according to Walter Rigg, president and chief executive.

## France's Hi-Tech Policy Is Bolstered by Thomson

**(Continued from Page 19)**

Gomez is trying to turn Thomson into a big microchip producer at a time when the industry is in a deep slump, and has plans to grab a 3-percent slice of the \$25-billion global semiconductor market. He also wants to build up Thomson's avionics business.

To help realize these ambitions, Mr. Gomez has made bids to buy Mostek Corp., the Texas-based semiconductor unit that United Technologies Corp. had planned to close, and Air Equipment, a French-based avionics division of Bendix Corp. Thomson has also signed an agreement with Oki Electric Industry Co. of Japan, giving the company access to Oki's automated chip-manufacturing technology. And it is casting about for European partners to produce a high-performance microprocessor.

"We've survived a period of concentration, management reform and divestiture and we're growing profitable," Mr. Gomez says. "Now we must build a company that can survive through the 1990s."

The Pentagon's order for Thomson's mobile communications system comes just two years after the company's military divisions captured an order for a \$4-billion air-defense system for Saudi Arabia.

The military businesses, which have been steadily profitable, account for roughly half of the company's sales. And Mr. Gomez is counting on the U.S. order to bring in others. The Thomson-GTE bid for the Army contract was about \$3 billion lower than the only other bid, submitted by Plessey Co. of Britain in partnership with a division of Rockwell International Corp.

The Paris stock market has been impressed by Thomson's record. Too, although the parent company is fully owned by the state, some shares in Thomson-CSF remain in private hands. Since January they have climbed to about \$75 a share, from \$50. "We think the company has become a good long-term bet,"

said Thierry Tuffier, partner in the French stockbrokerage of Tuffier et Ravier.

A product of France's elite Ecole Nationale d'Administration as well as Harvard, Mr. Gomez developed links with the Socialists while they were in opposition and he was running the packaging division of Saint-Gobain, the diversified manufacturing company, which is now also nationalized.

At Thomson, Mr. Gomez quickly developed a three-pronged strategy: shedding chronic losing divisions, improving management and cautiously expanding into foreign markets.

His first move was to convince the government that Thomson's unprofitable civil communications interests should be given to Compagnie Generale d'Electricite, another newly nationalized French company with interests in the same field. In exchange, Thomson took two CGE companies that meshed with its existing business.

Mr. Gomez also wanted to get out of medical equipment, but when he realized the government would not allow this, he set about bringing this sector back toward profitability. He did, however, dispose of other losing subsidiaries, including the electric light-bulb and pump divisions and its industrial leasing interests.

At the time, the Socialists pointed to this large-scale "restructuring" of the electronics industry, involving more than 30,000 workers, as evidence that their nationalization program was strengthening the French economy.

Next, Mr. Gomez tightened the traditionally loose administrative structure, brought in new managers and promoted younger ones.

Finally, Thomson began to expand its consumer electronics business into other European countries. It took over Telefunken GmbH, the West German electronics company, and it drew up a cooperation agreement with Philips NV of the Netherlands.

## CURRENCY MARKETS

## Dollar Slightly Lower in Europe, U.S.

**Compiled by Our Staff From Despatches**

**NEW YORK** — The dollar retreated in U.S. trading Tuesday on nervousness over erroneous reports that the chairman of the Federal Reserve Board, Paul A. Volcker, was to give a speech to central bankers Wednesday.

"The dollar was mostly on a down trend in thin but nervous trading," said Daniel Holland, vice president at Discount Corp. of New York, when nervousness over what Mr. Volcker would say in a speech he was reportedly to deliver Wednesday in Basel, Switzerland, accelerated the fall.

A spokesman for the Federal Reserve Bank said that Mr. Volcker had attended a regular meeting of the Bank for International Settlements in Basel and had a meeting with a private group. "But he gave no speech and is expected back in Washington on Wednesday," the spokesman said.

Nevertheless, Mr. Holland said the report on a financial news service had an impact on the market. "Mr. Volcker has been saying that a free-fall for the dollar wouldn't be desirable so the market anticipated he could say something bullish," Mr. Holland said. "But there were fears he could say something that would point to further intervention."

In New York, the dollar fell to 2.6035 Deutsche marks from 2.6210 on Monday; to 204.50 Japanese yen from 205.10; to 2.1360 Swiss francs from 2.1520, and to 7.9375 French francs from 7.9825. The British pound eased to \$1.4206 from \$1.4202.

In earlier trading in Europe, the dollar closed slightly lower after a day of light, uneventful trading. Dealers said the extremely thin activity was guided mainly by technical considerations, with operators unwilling to open new positions ahead of U.S. economic data later this week.

In London, the dollar slipped to

2.6210 DM and 205.62 yen from 2.6270 DM and 205.78 yen on Monday's close.

The British pound, meanwhile, was largely unaffected by a forecast by Nigel Lawson, chancellor of the Exchequer, that Britain's economy would grow 3.5 percent in 1985 and 3 percent in 1986, accompanied by an inflation rate of 3.75 percent.

Dealers said the statement contained nothing unexpected and was seen as indicating a steady economic policy. Sterling eased in London to \$1.4210 from \$1.4200 at Monday's close, and to 3.7078 DM from 3.7258.

In other European markets on Tuesday, the dollar was fixed in Frankfurt at 2.6238 DM, down from 2.6270 at Monday's fixing, and at 2.9570 Dutch guilders in Amsterdam, down from 2.9625.

In Zurich, the dollar closed at 2.1548 Swiss francs, unchanged from Monday. (Reuters, UPI)

## THE EUROMARKETS

## Dollar-Straight Sector Ends the Day Higher

**By Christopher Pizzey**

**LONDON** — The dollar-straight sector of the Eurobond market closed Tuesday on a firm note on the back of the continuing rally on the U.S. credit markets.

Seasoned investors generally ended with gains of 1/4 or 1/2 point, dealers said.

A variety of new issues were launched during the day, with several non-dollar bonds emerging, generally to good receptions, dealers noted. The European Telecommunications Satellite Organization issued 50 million Eurobond currency units of bonds paying 9 percent over eight years and priced at 100 1/4. The lead manager was Credit Lyonnais.

The issue will be repaid in five equal annual installments that reduce the average life to five years. On the market, it was quoted well

inside the total fees of 1 1/2 percent at a discount of 1.

The expected 250-million French franc bond issue for Remy Martin et Cie. emerged as a five-year issue paying 10 1/2 percent a year. The issue was to have been priced on Thursday at about 100, but because of strong demand it was priced at 100 1/4 Tuesday afternoon. It ended inside the 1 1/4 percent selling concession at a discount of 1/4 bid, after having been bid at a discount of 1/4 earlier. Credit Commercial de France was the lead manager.

In the dollar-straight sector, a \$100-million dollar issue emerged for Toshiba Corp. The issue pays 10 1/2 percent over 10 years and is priced at 101 1/4.

The lead manager for the bond was Nomura International Ltd. and it ended on the market at a discount of 2, just on the total fees.

The expected \$100 million in five-year equity-warrants bonds for Sumitomo Realty & Development Co. emerged under Daiwa Europe Ltd.'s lead management. The indicated coupon is 5 1/2 percent. It was well bid on the market and ended at a premium of about 2 1/4.

In the floating-rate-note sector, prices were mixed with an easier bias. Dealers said that some professional operators appeared to be lightening their long positions.

Two new floating-rate-note issues were launched during the day. Nippon Credit Bank (Cusip) NV issued \$100 million in notes paying 1/4 point over the one-month London interbank offered rate with a maximum coupon cap of 12 percent. Reaction to the issue appeared to be mixed, with some operators putting off by the low maximum coupon cap.

## Tuesday's OTC Prices

**NASDAQ prices on 11 a.m. New York time.**

**Via The Associated Press**

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## SPORTS

## Vital Ingredients: Honor, Art and Justice

**International Herald Tribune**  
LONDON — It is either an old-fashioned idealist or a dreamer who looks for honor, art and justice in one sporting week.

I confess to being a bit of both. I have tickets for Wembley on Wednesday and Parc des Princes on Saturday, and I dearly hope soccer can restore some values to its year of self-destruction.

Honor beyond question is the declared aim at Wembley, where England plays Northern Ireland in a final World Cup qualifier. In England is home and dry, its opponents need a draw — and accusations of collusion have already risen in the East, where Romania would be eliminated if Northern Ireland gains one point.



Michel Hidalgo  
... The father of orphans?

Victor Stanculescu, the former Romanian team manager, openly regards that point as a foregone gift between neighbors whose men play side by side in the English League.

His suspicion may tell us more about the way the Eastern bloc arranges things.

In Britain, every member of either camp who can string together two syllables denies the remotest possibility of a fix.

"The match has to be played with honor!" booms Bobby Robson, England's manager.

"Obviously we all stand for British football. Obviously it would be better for us if Northern Ireland, not Romania, goes to the World Cup. But anything the Irish get on Wednesday they will have to earn on merit."

Romania's current manager, Mircea Lucescu, prepares his excuses not on what might happen at Wembley but on injustice already taken place.

Romania's two defeats to Northern Ireland, he says, were a mockery of the real battle of forces. In Lucescu's eyes, the Belgian referee in Belfast allowed the home side a flagrant offside goal and the Danish referee in Bucharest denied Romania a blatant penalty.

"I haven't the slightest doubt,"

he states, "that this was due — if not entirely, then to a very great extent — to the presence of Mr. Harry Cavan in the stadium."

Cavan's dual role as an official of the Northern Irish soccer association and as FIFA's senior vice president.

**ROB HUGHES**  
ident exerts, according to Lucescu, "a most undesirable, negative influence, not conducive to a fair atmosphere." Hysterical nonsense, Cavan retorts.

Whatever else, the remains of the British reputation for fair play may not survive a late equalizing goal for the Northern Irish.

FIFA has sensibly ordered that this match, and Romania's final fling in Turkey, kick off simultaneously.

The English FA, putting profit before propriety, wangled a half-hour delay in the Wembley start, which forces Northern Ireland to the diabolical advantage of knowing precisely what is required in the final third of the match.

Art beyond price is the challenge to France. Similar to Northern Ireland, she needs one point against Yugoslavia to qualify. At least France dutifully kicks off at the precise hour East Germany begins against Bulgaria.

Ludicrous, isn't it, that France, Europe's most refined team by the length of the Champs Elysees, flounders so.

At home, such fine cavalier blades; away such timid withdrawal of artistry, such barren inability to score.

So, Saturday favors the French. Bulgaria will have to allow East Germany a 3-0 victory before France had to as much as equal the grinding, scoreless draw she gained in Sarajevo last April.

But surely Michel Platini & Co. will entertain in the grand manner at Parc des Princes? I'm not convinced.

We've seen Platini freeze before, seen the stylist Alain Giresse and the tigerish Jean Tigana revive him with what Napoleon called "le courage de l'improvisation."

Rousing stuff. But that was under the management of Michel Hidalgo, whose successor, Henri Michel, has not yet won the hearts of his generals, not yet liberated Platini and Giresse in the way Hidalgo did.

Hidalgo, who passed his romantic ideals on to the players, has left them with a more pragmatic coach. Without Hidalgo, some react as if orphaned.

Injuries have hurt France, yet apart from 10 goals against Luxembourg, how many do you suppose the French have mustered in five other qualifiers? Three.

Dominique Rocheteau, sublime of touch but unreliable of temperament, and José Touré, also mercurial at striking from the deep, are devastating one day, as effective as a feather duster to a rhino's backside the next.

And on defense the French have trouble heading the ball. Against Luxembourg, she could get away with the compromise of Maxime Bossis and Patrick Battiston, two sweepers whose elegance is from the knees down.

But Zlatko Vujovic is a Yugoslav whose heading ability Stuttgart would pay a fortune to hire. He would eat B & B in the air.

The Yugoslavs, endlessly discovering new talents to replace those exported or lost to national service, are the reverse of the French — more potent away from home. So a match many blithely expect France to win is delicately balanced.

Finally, justice beyond doubt. Europe, England especially, seems to rejoice in the draconian measure of life imprisonment for one of our criminal hooligans.

Would that the question of guilt be beyond doubt. Kevin Whitten was not, as widely misreported, sent down for life last Friday for slashing an American bar manager's face and wrist with a beer glass.

His life imprisonment was for riotous behavior at Chelsea's grounds eight hours before the slashing, for, in the words of one police officer "waving a fist in a menacing manner and aiming a kick at rival supporters."

Whitten was additionally sentenced to 10 years for his alleged part in the slashing that night. He was said to have held the American's arms while an unrepentant thug known as "the fat man" viciously inflicted the cuts.

Whitten, I strongly suspect, will have his sentences commuted on appeal. Not that he, with previous convictions for violence should go

free tomorrow, but where will this leave Judge Michael Argyle, the new hero of a nation desperately hoping that vengeful retribution will curb the hooligan?

For one thing, it did not have that effect in London, where, within 24 hours, Millwall louts committed atrocities that included the serious wounding of a policeman.

For another, a life sentence for riotous behavior sits uneasily beside judgments handed down in English courts that same day.

Three months' imprisonment for a man who for five years tortured his young stepson — forcing pepper into his mouth, beating, binding, gagging and hanging the boy in a closet.

Three years for two striking miners who attacked a working pitman with ax handles in his own home.

Three years' youth custody for a 17-year-old who raped and robbed his doctor in her surgery.

Four and a half years for a white youth who stabbed to death a young black in a London street fight.

Equal under the law? Yes, it is high time the scales of justice swung against the so-called soccer hooligan who perpetrates criminal violence.

But judiciary in panic is no deterrent, no satisfaction to those who look to authority to free our sport, or our society from fearful mob rule.



Kansas City's Saberhagen: "Who would have imagined it?"

## Saberhagen Winner Of Cy Young Award

Compiled by Our Staff From Dispatches

**NEW YORK** — Bret Saberhagen of Kansas City won the American League's Cy Young award on Monday with a one-sided victory over Ron Guidry of the New York Yankees.

Saberhagen, who had a 20-6 record, received 23 of 28 first-place votes and a total of 127 points to four first-place votes and 88 points for Guidry (22-6). It marked one of the few times in the American League voting that a starting pitcher won the award as the league's best pitcher when he had fewer victories than another starter.

The voting by a panel of two baseball writers from each league city was conducted before postseason games. Saberhagen subsequently won two World Series games and was named the championship's most valuable player.

"This is great for me and great for Kansas City," said the 21-year-old right-hander, who is only three years out of high school. "It's definitely a team award. If you don't have 25 guys fighting for you every time you go out there, then you don't have a chance."

Bert Blyleven of Minnesota received the other first-place vote and tied for third with Dan Quisenberry of Kansas City with 9 points each.

Since 1967, when the Cy Young award was divided into separate league honors, there had been only three times when a starter won the award with fewer victories than another starter, and each of the other instances provided obvious reasons for the outcome.

In 1982, Pete Vuckovich won with an 18-6 record while LaMarr Hoyt had 19 victories but 15 defeats. In 1973, Jim Palmer won with a 22-9 mark while Wilbur Wood had 24 victories but lost 20 and Joe Coleman won 23 but was beaten 15 times. In 1971, winner Vida Blue went 24-8 while Mickey Lolich had 25 victories but 14 defeats. Guidry won the award in 1978 with a 25-3 record.

The two victories that Guidry had over Saberhagen might have been the biggest difference in their records. Except for the number of victories, Saberhagen generally had

better statistics than Guidry, but only by slim margins.

Saberhagen had a better earned-run average (2.87 to 3.27) and better one-inning ratios for hits (8.1 to 8.4) and strikeouts (6.0 to 5.0). But they each walked an average of 1.5 per nine innings and Guidry pitched two shutouts to one for Saberhagen and 11 complete games to 10.

In only his second year in the major leagues, Saberhagen showed remarkable poise and a sharp command of several pitches; he struck out 158 batters and walked only 38.

He said his goals for the season had been relatively modest. "I was hoping for 14 or 15 victories and an ERA around 3.2," he said. "At the beginning of the year [fellow Kansas City pitcher] Mark Gubicza and I were joking about the fact that we had a Cy Young incentive clause in our contract — that we would get bonus money for winning. Who would have imagined it would have come true for me?"

■ **63 Free Agents**

Elsewhere in baseball, 11 more players filed for free agency, bringing to 63 the number of free agents who could begin signing with any team on Tuesday. The filing deadline was midnight Monday night. Scott Sanderson, a Chicago Cub pitcher, had previously filed but on Monday reached agreement with the Cubs on a one-year contract that also includes options for two more years.

With the number at 62, a club can sign a maximum of three free agents unless it has lost more than three players as free agents. The California Angels had six players declare for free agency while Cleveland, Oakland, and St. Louis had five each, and Detroit, Kansas City and the Yankees had four each.

Among the players filing on Monday were Hal McRae, Kansas City's designated hitter; Bobby Grich, the Angel second baseman who was in the first group of free agents in 1976; Tommy John, who pitched for California and Oakland this year; Bruce Kison, a Boston pitcher who was also a free agent last year; and Dickie Thon, the Houston shortstop. (NYT, AP)

## Broncos Nip 49ers, Take Over Lead in AFC West

Compiled by Our Staff From Dispatches

**DENVER** — John Elway threw two first-half touchdowns passes and Rich Karlis kicked a 24-yard field goal with 1:27 left in the game, lifting the Denver Broncos into sole possession of first place in the American Conference West with a 17-16 National Football League victory over the San Francisco 49ers here Monday night.

Trailing by 14-3 at the half, the 49ers rallied behind the arm of Joe Montana, the legs of Roger Craig and the foot of Ray Wersching to take a 16-14 lead with 3:46 remaining, when Wersching's 45-yard field goal put San Francisco ahead for the first time.

But Denver countered with a 63-yard drive. On a 3-and-13 situation, an interference penalty called on 49er safety Dwight Hicks against Steve Watson covered 42 yards. Again on third down, under pressure from a blitzing Ronnie Lott, Elway completed a 22-yard throw to Watson at the San Francisco 7-yard-line. Three plays later Karlis provided his second game-winning kick of the season.

In a first half that saw kicking game errors on both sides, Denver moved to its 14-3 lead behind Elway's TD passes, of three yards to running back Gene Lang and six yards to Watson. The 49ers, who had driven inside the Broncos 10

three times in the first half but came away with only one field goal, battled back in the second half.

Montana got San Francisco into the end zone early in the third quarter with a 13-yard pass to Mike Wilson. Following an interception by Lott, Wersching kicked a 22-yarder to draw the visitors to within 14-13 midway through the quarter.

Late in the second period, the 49ers had a 1st down at the Denver 11. Three plays netted nine yards and, with 17 seconds left in the half, San Francisco went for a field goal. But just before the ball reached holder Matt Cavanaugh, a snowball thrown by a fan landed

just in front of him. Cavanaugh bobbled the snap, and threw a desperation pass that fell incomplete.

Said center Randy Cross: "I saw the snowball explode right after I snapped the ball. The ball and the snowball hit right at the same time. It definitely made a difference."

Referee Jim Tunney said the officials were powerless to penalize anyone for the incident. "We did ask the Broncos for more security down at that end of the stadium," he said. "But we have no recourse in terms of a foul or to call it on the home team or the fans. There's nothing in the rule book that allows us to do that." (AP, UPI)

## SCOREBOARD

## Basketball

## National Basketball Association Leaders

National Basketball Association leaders through games of Nov. 12:			
TEAM OFFENSE			
	G	Pct.	Avg.
L.A. Lakers	7	.673	104.7
Detroit	8	.500	100.1
Houston	8	.500	100.0
Indiana	6	.714	119.0
Denver	7	.857	118.9
Milwaukee	10	.100	112.2
New Jersey	9	.100	112.4
Portland	9	.100	112.7
L.A. Clippers	7	.714	112.7
Phoenix	7	.714	111.3
Boston	7	.714	111.0
Golden State	9	.667	109.2
Dallas	7	.714	108.6
Philadelphia	8	.625	108.4
San Antonio	9	.778	107.7
Chicago	8	.625	107.7
Atlanta	9	.667	106.1
San Antonio	7	.857	105.9
Seattle	8	.750	92.9
New York	8	.750	91.6

TEAM DEFENSE			
	G	Pct.	Avg.
Seattle	8	.750	97.1
Washington	7	.714	97.1
New York	8	.750	96.8
Boston	7	.714	96.8
Philadelphia	8	.625	96.8
San Antonio	8	.625	96.8
Denver	7	.857	108.1
Milwaukee	10	.100	108.2
Portland	9	.100	108.2
Cleveland	9	.667	109.0
Atlanta	9	.667	109.0
Sacramento	8	.625	110.3
Houston	8	.625	110.3
Chicago	8	.625	112.3
L.A. Clippers	7	.714	112.3
L.A. Lakers	7	.714	112.3
Utah	8	.625	112.9
Golden State	9	.667	112.9
Dallas	7	.714	114.3
Detroit	9	.625	114.4
Indiana	6	.714	116.8
New Jersey	9	.100	117.1
Phoenix	7	.857	128.7

INDIVIDUAL			
	G	Pct.	Avg.
English, G.	7	.771	41.1
Danforth, U.	8	.875	35.3
Washington, C.	8	.875	35.3
Smith, L.	7	.714	35.3
Williams, A.	7	.714	35.3
Malone, P.	6	.667	35.3
Kellogg, I.	6	.667	35.3
Vandeweyer, P.	7	.714	35.3
Aguirre, D.	7	.714	35.3
Free, C.	7	.714	35.3
Moncrief, A.	7	.714	35.3
Thomas, D.	7	.714	35.3
Elkins, N.Y.	8	.625	35.3
Chalmer, H.	7	.714	35.3
Floyd, G.S.	7	.714	35.3
Bird, B.	7	.714	35.3

FIELD GOAL PERCENTAGE			
	G	Pct.	Avg.
Thorne, S.	7	.714	35.3
Johnson, S.A.	7	.714	35.3

NBA Standings			
EASTERN CONFERENCE			
Atlantic Division			
	G	L	Pct.
Boston	6	1	.857
New Jersey	6	1	.857
Philadelphia	6	1	.857
Washington	6	1	.857
New York	6	1	.857

CENTRAL DIVISION			
	G	L	Pct.
Detroit	6	3	.667
Milwaukee	6	3	.667
Chicago	6	3	.667
Atlanta	6	3	.667
Indiana	6	3	.667
Cleveland	6	3	.667

WESTERN CONFERENCE			
Midwest Division			
	G	L	Pct.
Denver	6	1	.857
Houston	6	1	.857
San Antonio	6	1	.857
Utah	6	1	.857
Sacramento	6	1	.857

PACIFIC DIVISION			
	G	L	Pct.
L.A. Lakers	6	1	.857
Portland	6	1	.857
L.A. Clippers	6	1	.857
Golden State	6	1	.857
Seattle	6	1	.857
Phoenix	6	1	.857

## Baseball

## Cy Young Winners

Annual winners of the Cy Young Award as the outstanding American League pitcher (from 1954-1964 there was one selection from both leagues):			
	Year	Player	Team
1955	Bret Saberhagen	Kansas City	
1956	Tom Seaver	New York	
1957	Tom Seaver	New York	
1958	Tom Seaver	New York	
1959	Tom Seaver	New York	
1960	Tom Seaver	New York	
1961	Tom Seaver	New York	
1962	Tom Seaver	New York	
1963	Tom Seaver	New York	
1964	Tom Seaver	New York	

## Hockey

## National Hockey League Leaders

National Hockey League leaders through games of Nov. 12:			
SCORING			
	G	A	Pct.
St. Louis (C)	7	22	0.250
Beane, M.	4	10	0.400
Melanson, M.	4	10	0.400
Melanson, M.	4	10	0.400
Melanson, M.	4	10	0.400
Melanson, M.	4	10	0.400
Melanson, M.	4	10	0.400
Melanson, M.	4	10	0.400
Melanson, M.	4	10	0.400
Melanson, M.	4	10	0.400

NHL Standings			
WALEY CONFERENCE			
Patrick Division			
	G	L	Pct.
Philadelphia	10	2	.833
Toronto	10	2	.833
NY Islanders	10	2	.833
Washington	10	2	.833
NY Rangers	10	2	.833
New Jersey	10	2	.833
Pittsburgh	10	2	.833

ADAMS DIVISION			
	G	L	Pct.
Boston	10	2	.833
Quebec	10	2	.833
Buffalo	10	2	.833
Montreal	10	2	.833

Edmonton	11	2	23	78	47
Vancouver	8	6	2	68	62
Calgary	8	6	1	17	67
Winnipeg	6	8	1	13	62
Los Angeles	3	11	7	51	78

**MONDAY'S RESULTS**

Chicago	2	1	1	1-3
N.Y. Rangers	1	2	1	0-4

Clizczyk (4), Fraser (10), B. Wilson (3), Sutter (4), B. Murray (2) & Pavelich (11), Sonestrom (4), Killip (2) & Sheahan (11) for Chicago. (11) 1-3, 1-0



